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U.S. Reports Economy Grew At 2.4% Rate in Last Quarter

LATE NEWS Episcopalians Endorse Dissent WASHINGTON (UPI) — The Episcopal Diocese of New York in an action directed against the Roman Catholic Church, has unanimously adopted a resolution stating that "we deplore any action which narrows the realm of free debate." The Reverend Chris Webber, the resolution's author, said in an interview Wednesday that it was prompted by Vatican actions reducing the church's standing of the Reverend Charles Curran and Bishop Raymond Hunthausen of Seattle. Tuesday's vote is believed to be the first time a major jurisdictional unit of a Protestant church body has spoken out on the dissent issue, which is sensitive in intra-church relations. SPECIAL TODAY Hong Kong As this bustling territory strives to develop a secure vision of its own future, some observers like confidence to the emperor's new suit of clothes: Many claim it is there, but no one actually sees it. A special report, Pages 9-12

By John M. Berry Washington Post Service WASHINGTON — The U.S. economy grew at a moderate 2.4 percent annual rate in the third quarter as a worsening trade deficit and weak business investment offset a surge in consumer spending for new cars, the Commerce Department reported Wednesday. The expansion was faster than the previous quarter's 0.6 percent rate of increase in the gross national product, adjusted for inflation, but also well short of the 4 percent forecast by the Reagan administration for the second half of the year. GNP measures the total value of a nation's output of goods and services. Inflation, as measured by the GNP price index, ran at a 2.5 percent rate in the third quarter, up from 1.7 percent in the second, the report said. Most of the increase was due to a faster rise in food costs. The figures, preliminary estimates based on less than three full months worth of data for some key sectors including international trade, provided few indications that economic growth is about to accelerate, analysts said. While there are some signs that the trade deficit may begin to decline, a drop in consumer spending is also likely after the surge in auto buying triggered by low-interest rate financing offers that have now expired, they said. The Commerce report said that consumer spending for durable goods shot up at a 38.4 percent annual rate in the third quarter as a result of new car purchases. The third-quarter increase in GNP was about in line with the 2.2 percent increase in economic activity since the third quarter of 1985.



Abductors Free Beirut Professor Nabil Matar with his wife, Dinah, after he was freed by Moslem abductors in West Beirut following five months of captivity. He would not comment on the identity of his abductors, his detention or the circumstances of his release. Page 6.

Gorbachev Holds Firm: SDI Blocks Arms Pact

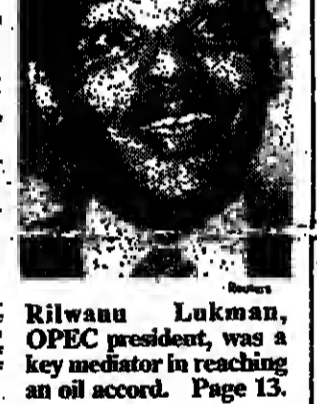
Speech Follows Soviet Order Expelling 5 U.S. Diplomats

The Associated Press MOSCOW — Mikhail S. Gorbachev, the Soviet leader, said Wednesday night that his meeting in Iceland with President Ronald Reagan brought the United States and Soviet Union closer to agreement on nuclear weapons, but that it clearly defined the many obstacles to arms control. "It was perhaps the first time in many decades that such a big stride was made in the quest for nuclear disarmament," Mr. Gorbachev said in a television address. However, he said, the U.S. anti-missile defense program, the Strategic Defense Initiative, remained the main obstacle to an arms agreement. He criticized "militaristic circles" in the United States for the obstacle. Mr. Gorbachev said the disarmament package he presented to Mr. Reagan at the Iceland meeting could not be carried out if Washington persisted with plans for SDI. Meanwhile, the Soviet Union announced on Wednesday the expulsion of five more American diplomats and withdrew 260 Soviet employees from the U.S. Embassy in Moscow and the consulate in Leningrad. The move was in retaliation for Tuesday's order by the United States expelling 55 Soviet diplomats. The official news agency Tass quoted Mr. Gorbachev as saying of Wednesday's expulsion order: "Of course we will take reply measures. Very tough measures, so to say on an equal footing. We are not going to put up with such outrageous practices. The order calls for the American envoys to leave by Nov. 1." This American action calls for a most resolute response," a Foreign Ministry spokesman, Gennadi I. Gerasimov, said. "We cannot remain indifferent to the wrongful activities of the U.S. administration." Mr. Gorbachev, in his television speech, said the meetings Oct. 11 and 12 in Reykjavik encouraged the Soviet leadership on the possibility of reducing nuclear arms. "I still consider that as a result of the meeting," he said, "we achieved a higher stage not only in analyzing the situation, but in defining the aims and framework of possible agreements, agreements on nuclear disarmament." However, he said, the meeting "also threw into bold relief the difficulties on the way to a nuclear-free world," adding that "circles associated with militarism" were frightened by the progress made in Reykjavik. In Iceland, the superpowers reached tentative agreement on making deep cuts in their nuclear arsenals. But the agreement foundered over Mr. Reagan's refusal to See GORBACHEV, Page 2



Mikhail S. Gorbachev

RELATED ARTICLES ■ NATO defense ministers backed President Ronald Reagan's stance at the Reykjavik talks. Page 3. ■ Chancellor Helmut Kohl of West Germany urged a link between nuclear and conventional arms cuts. Page 3. ■ The recent expulsions of U.S. and Soviet envoys are unprecedented in scope. Page 3. ■ Ronald Reagan took an appeal by Rostropovich, the Russian emigre cellist, to Mikhail S. Gorbachev in Iceland. Page 2.



GENERAL NEWS ■ Poland's campaign to broaden support of government appears to be faltering. Page 3. ■ Economic recovery in U.S. cities has created jobs, but the growing minority populations lack skills for them. Page 3. ■ Arab leaders shrug at Israel's change in leadership. Page 6. ■ The NBC settled a libel suit brought by two conservative legislators. Page 6. SCIENCE ■ In their own world: the case of the silent twins. Page 7. BUSINESS/FINANCE ■ General Motors Corp. said it recorded an operating loss of \$338.5 million in the third quarter. Page 13. ■ A European Community Commission report criticized Japan's efforts to increase imports. Page 13. SPORTS ■ The New York Mets defeated the Red Sox, 7-1, cutting Boston's World Series lead to 2 games to 1. Page 19. IN TOMORROW'S HIT Fox hunting in Ireland. In Travel.

Pinochet's Foes, Junta Talk Quietly

By William D. McCormack Los Angeles Times Service SANTIAGO — Members of moderate opposition groups are meeting quietly with armed forces commanders in search of a negotiated agreement that would replace General Augusto Pinochet with a civilian president in 1989. Chilean political sources describe the unofficial conversations as a major opening but caution that they are still informal, unstructured and tentative, both in nature and content. General Pinochet, aware of the conversations, is trying to impede them while at the same time tightening his grip on the army. Officers commanding the navy, the air force and the national police have all gone on record this month in favor of dialogue between the government and its democratic opponents. For the first time, it is publicly clear that the long-term goals of the three members of Chile's military junta do not coincide with those of General Pinochet. The 70-year-old leader seeks a second eight-year presidential term that would extend his rule until 1997. Even as opposition parties debate how to respond as institutions to the commanders' opening, political sources say that business and second-line political leaders are talking with the commanders to emphasize their call for a return to civilian leadership. If the meetings are not secret, neither are they being advertised. Admiral José Toribio Méndez of See CHILE, Page 2

South African Church Denounces Racism as Sin

United Press International JOHANNESBURG — The Protestant Dutch Reformed Church abandoned on Wednesday decades of support for Pretoria's apartheid policy and said attempts to justify racial segregation through the Scriptures "must be admitted as an error and denounced." The synod of 360 leaders of the church, however, reaffirmed its support for segregated education and rejected moves to unify the white Dutch Reformed Church with three related churches set up for blacks, Asians and people of mixed race. After more than a week of often bitter debate, church leaders, who voted to declare racism a sin, rejected a move to declare apartheid a sin. They agreed only that it cannot be justified by the Scriptures. Apartheid is the white-minority government's policy of racial separation. Observers at the synod said while the decision against apartheid is qualified, it nevertheless represented a major breakthrough in church thought. The Afrikaans-language Dutch Reformed Church has about 1.6 million members — almost half the church-going white population — and has been closely allied to the white-minority government since it came to power in 1948. It is not an official state church, but its members have included all South Africa's white leaders since 1948. The church, an offshoot of the Reformed Church of Holland, has claimed biblical justification for racial separation. Formal segregation began about 100 years ago, with black, Asian and colored members assigned to separate churches. The synod unanimously adopted a motion Wednesday that with See CHURCH, Page 2



PILOT'S WIFE MEETS BOTHA — Nadejda Novoselova, right, wife of the Soviet pilot who survived the crash that killed President Samora Machel of Mozambique, met Foreign Minister R.F. Botha of South Africa in Pretoria, where she visited her husband. Page 3.

For IBM and GM in South Africa, It Will Be Profits as Usual

By William Claiborne Washington Post Service JOHANNESBURG — Despite the announcement by General Motors Corp. and International Business Machines Corp. that they intend to shed their subsidiaries here, it will be business as usual for the two U.S. corporate giants behind the facade of new company logos, executives of the concerns said Wednesday. Divestment by many of the 19 other American companies that

have said this year they will pull out of South Africa also will be accompanied by uninterrupted sales and profits, in South Africa, industry analysts said. IBM and GM spokesmen emphasized that the planned sales to local interests means that the parent companies eventually will have no assets, no capital and no employees here. The measures are being taken, in part, in response to the slow pace of reform of South Africa's apartheid system of racial separation and continued white minority rule. But, the companies' officials added, the U.S. parent companies will continue to benefit from sales of their products and services here, while at the same time regaining much of their capital investments through repayments of loans made to South African investors to enable them to acquire the subsidiaries. Both also will have an option to repurchase the subsidiaries if the political situation changes. In the case of GM, divestment will turn a losing operation into a profitable one and probably will yield the parent company more money from South Africa than it has made for years, industry analysts said. Similarly, IBM will not only continue to profit from sales of its products and services in South Africa, but over the next five years or so will regain with interest the loan it makes to the South African buyers of its subsidiary here. The loan will be its final investment before the mid-November sanctions deadline for new U.S. investment in South Africa. "They're not cutting us off so much as they are cutting us loose," said an executive of IBM South Africa. He added, "What they are saying is, 'As far as necessary, we are going to make this move.' But it See SANCTIONS, Page 2

Summoning the Faithful Reagan Sets Drive to Hold the Senate

By Lou Cannon Washington Post Service WASHINGTON — President Ronald Reagan will open a 13-state campaign drive on Thursday to try to maintain Republican control of the Senate by using what one of the city's pollsters, Robert Teeter, has called "the single greatest resource" he has — Ronald Reagan. "The president will try to rally the faithful, raise the stakes and ride the margin of victory," the White House political director, Mitchell E. Daniels Jr., said, outlining administration political strategy in the final two weeks of the term campaign. Administration strategists said today that their findings show that Republican candidates will win two-thirds of the races which their candidates trail or tied to keep the Senate in Republican control. Mr. Daniels and other strategists said Mr. Reagan will "take the offensive" on economic issues, attempting to persuade voters that a moderate victory could signal a larger federal deficit, tax increases and a return to double-digit inflation. Mr. Reagan will also attempt to

capitalize on his recent meeting in Iceland with the Soviet leader, Mikhail S. Gorbachev. A presidential pollster, Richard B. Wirthlin, has called the meeting "a net plus" for Mr. Reagan, helping him to dominate the national dialogue on foreign policy. The chief White House spokesman, Larry Speakes, said Mr. Reagan would launch his campaign drive with a speech on the White House grounds on Thursday morning, moments before he is to fly to Wisconsin to launch a two-day, four-state swing. "The president's basic message will be that we've accomplished much, there's more to be done and we need the help of the American people to finish the job," Mr. Speakes said. He added that Mr. Reagan would emphasize economic issues and the importance of "a strong defense, in which the Strategic Defense Initiative is a key element." Mr. Reagan's campaigning is to be augmented by what Republican sources said will be a \$1.5 million radio and television campaign that includes ads aimed at young and Hispanic voters.



President Ronald Reagan at a fund-raising luncheon in Denver last month.

The Republican Party chairman, Frank J. Fahrenkopf Jr., pointed out that in the past three elections a total of 15 Senate races have been decided by 2 percentage points or less. He added that "we think the president is going to be worth 2 points and the difference" in some of this year's close elections. The president's schedule in the next two weeks reflects the White House view of which Republican candidates need bolstering. On Thursday and Friday, Mr. Reagan is to speak in Wisconsin, Missouri, Oklahoma and Florida. On Tuesday he is to visit Georgia and Alabama. And on Wednesday the president will leave on a weeklong swing that will keep him away from the White House until late on the day of the elections. On this final swing Mr. Reagan is to campaign in his home region of the West, where his popularity has been able to win support for other candidates. He will speak for Senate candidates in South Dakota, Colorado, Nevada, Washington, Idaho and California and spend the weekend before the election at his ranch northwest of Santa Barbara, California. The White House assessment shows the Republican candidate leading decisively in only one state now represented by a Democratic senator, Missouri. Republican candidates trail by significant margins in four states represented now by

An Intense Party Debate Is Reported in Vietnam

By Michael Richardson International Herald Tribune BANGKOK — Intense and protracted debate has been taking place in Vietnam's ruling Communist Party over leadership changes and how to revive the economy, according to analysts monitoring a stream of recent official statements from Hanoi. Analysts said Wednesday that some of the criticism and self-criticism was among the most strongly worded they could recall. They said it showed that the Vietnamese party felt it was in a state of ideological and political crisis that was linked to grave economic and social problems afflicting the country. The party leader, Truong Chinh, evidently has thrown his weight behind reformists who favor development of a more pragmatic approach to economic management, the Indochina analysts said. The reformists tend to look to Hungary and its economic reforms rather than to the Soviet Union as a model for Vietnam. Their program is based on greater use of material incentives, pay geared to performance, abolition of

state subsidies and more local autonomy at the expense of centralized controls. Mr. Chinh was quoted by the official news agency on Monday as saying that Vietnam was in an extremely difficult situation that demanded changes in its economic policies, people's methods of work and the way production was organized. "Changes are imperative," Mr. Chinh told party members preparing for the sixth national congress, where economic reform and leadership changes are expected to be key issues. The congress, which sets the seal on party policy, is due to be held in Hanoi late next month or early in December. The last was in March 1982. But some Western sources say several Vietnamese officials have hinted recently that the sixth congress may be delayed because preparations are taking longer than expected. "They don't say it, but maybe they are having trouble ironing out policy disputes," one source said. Local, regional and central party See VIETNAM, Page 2

Aquino Shifts To Hard Line On Rebels

By Keith B. Richburg Washington Post Service MANILA — Facing her most serious political crisis in seven months in office, President Corason C. Aquino attempted Wednesday to mollify her chief critics in the military by toughening her public stance toward the country's Communist insurgents. She also announced that she would set a deadline "soon" for ending her peace talks with the rebels. In a speech that at times seemed to echo the recent warnings of her defense minister, Juan Ponce Enrile, Mrs. Aquino declared "our patience has worn thin" with the Communists. She accused the rebels of trying to "exploit the democratic space we have created in order to destroy the democracy our people have restored." The tone and tenor of the speech, to a woman's group at the Manila Hotel, appeared to mark a significant shift by Mrs. Aquino, who had pinned her hopes of solving the Communist insurgency problem on a policy of reconciliation. But she has seen that policy rapidly eroding under continued rebel ambushes and harsh attacks from within her government and a restive military. The speech was mainly an effort by Mrs. Aquino to placate Mr. Enrile and defuse a crisis that appeared Tuesday to presage the collapse of her fractious coalition government. In a frank admission for a chief of state, Mrs. Aquino acknowledged Wednesday the divisions threatening her government's stability, saying: "Our styles will continue to differ. We are different people, struck from different molds that were created out of radically different experiences." She spoke of holding a "frank" two-hour meeting that lasted until midnight Tuesday with Mr. Enrile, Vice President Salvador H. Laurel, and other aides amid rumors of an Enrile-led coup. "The height was yesterday," she said of the rumors, "when, on the one hand, I was told I had ordered the arrest of Enrile, and on the other, Enrile had started his coup by calling on the service chiefs to declare their loyalties one way or the other." Of the unusual midnight meeting, at the home of the president of the University of the Philippines, Mrs. Aquino said: "You may say this comes late in the day, but better late than never." She later referred to the meeting as "peace talks" and "the reconciliation." "There is no falling out between Minister Enrile and myself," she told the audience of about 1,000, which was stunned by her candor. "We are not stupid." She said that during the course of meeting, the "differences" between her and Mr. Enrile "were increasingly being resolved in a common impatience over the slow pace of some of our initiatives." The speech came after questions about the military's loyalty had

VIETNAM: Intense Debate Among Leaders Reported

(Continued from page 1)

meetings have been under way since March to prepare for the congress.

Analysts say that at the heart of official soul-searching is the fact that since the end of the Vietnam War in 1975 and the reunification of the country, the government has failed to deliver on its promises of major improvements in living standards for the country's estimated population of 60 million.

They add that party political controls, organization, leadership and the costly occupation of Cambodia have contributed to poor economic performance.

Western sources put the number of unemployed in Vietnam at about eight million, or one third of the work force. They say that an extra two million people a year are entering the job market and that the country's population is growing at

an alarmingly high rate of 2.3 percent annually.

In a blistering attack in the May issue of Communist Review, Le Duc Tho, who ranks fourth among the 13 full members of the Politburo, noted that at a time when millions of ordinary Vietnamese were still "experiencing privations, there exist cadres and party members guilty of corruption, bribery, smuggling and amassing riches."

"Never before," Mr. Tho wrote, "has there been, in our party, such a degeneration of virtues and life-style as there is now."

He said he expected one third of about 150 regular and alternate members of the central committee to be replaced because of infirmity, old age or incompetence.

In the future, he added, merit and achievement should count more in the selection of responsible leaders than seniority.

Analysts are paying particular attention to a speech given by Mr. Chinh to party cadres in July.

They say that apart from advocating economic reform to stimulate output and employment, it appeared to stake his claim to remain party leader and state president.

Mr. Chinh, 79, was named general secretary in July following the death of Le Duc Tho. Because of his age, many analysts felt he would only serve as an interim leader until the congress elected new men to take the place of old-guard figures who have been at the helm for many years.

In his speech in July, Mr. Chinh conceded that the Politburo and party central committee, while having great achievements to their credit, had "committed a number of serious blunders and mistakes in economic construction and management."

He said party officials had been guilty of autocratic behavior and stressed that policies could not be carried out unless they had the support of the people.

"We have held on too long to the system of centralism, bureaucratism and subsidization," he declared.

However, some Bangkok-based analysts doubt that the sixth party congress in Hanoi will mark a major change in policy or leadership despite Mr. Chinh's assertion that the meeting would have "momentous significance."

One analyst commented: "My own best guess is that there is not going to be any significant change in spite of all the discussion that has been going on." The source said there had been a similar buildup to the 1982 congress, but then nothing much emerged.

He added: "There will only be real reform if Vietnam follows China's economic pattern, rather than a Soviet model, and disengages from Cambodia."

There was no sign, the analyst said, that either of those courses was acceptable to Hanoi.

Another analyst said he felt that there was "strong possibility that the rhetoric we're hearing from Truong Chinh and other leaders is intended as a substitute for action and a way of appeasing popular demand for reform."



Corazon C. Aquino speaking on Wednesday to a women's group at a Manila hotel.

AQUINO: Tougher Stand on Rebels

(Continued from page 1)

been raised by the increasing uncertainty of Mr. Enrile's intentions.

"There was a general feeling of unrest that was beginning to percolate," said Benedicto David, a deputy presidential spokesman. "You have to nip that in the bud."

But while the speech on Wednesday and the announcement of an imminent deadline to ease the insurgency succeeded in easing the immediate crisis, it appeared unlikely to settle a larger rift separating Mrs. Aquino and Mr. Enrile.

One military source close to Mr. Enrile said that the defense chief, at the meeting on Tuesday night, had asked that some top Aquino aides — including Information Minister Teodoro L. Locsin Jr., who was

there — be dismissed from the cabinet.

He also requested that Mrs. Aquino consider revoking her revolutionary "freedom constitution," which Mr. Enrile has publicly questioned on legal grounds.

"Clearly, there is no common ground, because she is invoking people power and he is making legal arguments," the Enrile ally said.

"When she was told that some of her friends in the cabinet would have to go, for the good of the country," she said that she could not dismiss them because "they have been with her and she owes them a lot."

He said the speech would not solve "the nagging problem as far as Enrile is concerned."

Some cabinet members who had demanded Mr. Enrile's resignation also were not convinced Wednesday that he would be so easily placated. Asked if Mr. Enrile would expect mercy from the court that is trying him in Manila.

The Reverend Miguel d'Escoto Brockmann, the foreign minister, said on Tuesday that if Mr. Enrile were being tried for similar crimes in the United States, "I would say he can expect no mercy."

Mr. d'Escoto added that unlike the American-backed rebels against his government, known as "contras," Nicaragua was "not involved in the ordering, torture and death of any people."

Earlier, he told the Security Council that documents recovered from the plane's wreckage and Mr. Enrile's statements "have exposed an extensive infrastructure of U.S. government air support for the contra mercenaries." His appearance Tuesday marked the 13th time since 1982 that Nicaragua has brought the issue of U.S. support for the guerrillas before the council. On Monday, a Nicaraguan court charged Mr. Enrile with several crimes that carry a maximum sentence of 30 years.

WORLD BRIEFS

France Seizes 20 Algerian Dissidents

PARIS (NYT) — The French police said Wednesday that they had arrested 20 Algerian dissidents who reportedly are close to Ahmed Ben Bella, the former Algerian president, and that some of them faced immediate expulsion.

The police said Tuesday that 13 of the dissidents had been arrested. Some of the prisoners were French citizens who have lived in France for more than 30 years. The recent expulsions were the most dramatic in a series that began last month under a new anti-terrorist law approved after a series of bombings. The law allows undesirable individuals to be expelled by police order.

Security Minister Robert Pandraud said Wednesday that 1,700 foreigners had been expelled from France since the law was approved Sept. 9. The police roundup of the Algerian dissidents came three days after 101 Malians were expelled for being in France illegally. The Malians were flown out of Paris on Saturday night.

Managua Says Hasenfus Trial Is Fair

UNITED NATIONS, New York (NYT) — Nicaragua's foreign minister has asserted that Eugene Hasenfus, the American captured when a rebel supply plane was shot down over Nicaragua two weeks ago, could expect mercy from the court that is trying him in Managua.

The Reverend Miguel d'Escoto Brockmann, the foreign minister, said on Tuesday that if Mr. Hasenfus were being tried for similar crimes in the United States, "I would say he can expect no mercy."

Mr. d'Escoto added that unlike the American-backed rebels against his government, known as "contras," Nicaragua was "not involved in the ordering, torture and death of any people."

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Gandhi Reshuffles His Cabinet Again

NEW DELHI (UPI) — Prime Minister Rajiv Gandhi reshuffled his cabinet Wednesday for the second time this year, bringing in seven new members and appointing a new foreign minister.

Mr. Gandhi dropped his cousin Arun Nehru, the minister of internal security, and moved to appease dissidents in his Congress (I) Party by shifting the party vice president, Ajit Singh, to the less powerful post of communications minister.

Shiv Shankar lost the Foreign Ministry portfolio, which went to the former industry minister, Narain Dutt Tiwari. The Ministry of Industry passed to Venkaiah Reddy, formerly chief minister of Andhra Pradesh state, and the Ministry of Environment and Forests went to the former Haryana state chief minister, Brijan Lal. Mohina Kidwai was transferred from the Transport Ministry to the Urban Development Ministry, replacing Abdul Ghafoor.

Curfew Imposed in Northern Sri Lanka

COLOMBO, Sri Lanka (AFP) — Sri Lanka imposed an indefinite curfew in the north of the country Wednesday as troops launched a drive against Tamil separatists, officials sources said.

The curfew went into force at dawn and there was no indication when it would be lifted. It followed heavy fighting in the northwestern Mannar district last week where about 80 people were killed, mostly separatists, including the local leader of the guerrilla Liberation Tigers of Tamil Eelam.

The sources would not disclose the nature of the current operation and only said that troops were "mopping up" after last week's clashes, sparked by a separatist ambush killing four soldiers and an airman. The separatists captured two wounded soldiers in the fighting and demanded they be exchanged for two of their members who have been held.

Angolan Rebel Addresses EC Rightists

STRASBOURG, France (UPI) — Jonas Savimbi, the Angolan rebel leader, arrived in France on Wednesday for a six-day visit and told about 100 rightist delegates to the European Parliament that he hoped to open peace talks with the Marxist Angolan government.

Mr. Savimbi, whose visit to the parliament was protested by liberal members, said he hoped to take advantage of a cease-fire during the next rainy season in Angola to open negotiations. He said that both guerrillas in his National Union for the Total Independence of Angola, or UNITA, and the government were responsible for deaths in the 10-year civil war, and that neither side should set conditions before such talks.

For the Record

Police in Rome used tear gas to disperse extremists who threw stones on Wednesday during an anti-nuclear march by about 15,000 people through the city. Two students were slightly injured.

The head of the Spanish Liberal Party resigned on Wednesday, José Miguel Bravo de Laguna was fined last weekend for stealing pyrotechnics from a London store.

SANCTIONS: Profits as Usual

(Continued from page 1)

will still be a very lucrative deal for them and for us."

South African IBM officials said that the new company would continue to hold the exclusive IBM franchise in South Africa. It will be given a three-year renewable contract for importing and selling IBM products and services, along with a five-year renewable contract for spare parts and services.

To comply with the U.S. sanctions law, IBM products and services will not be made available to military and police agencies involved in enforcing apartheid.

The agreement also guarantees

the new company access to future IBM technology, including engineering systems support, the international computer terminal network and education courses, all of which will mean continued profits for IBM.

An IBM dealer here, after being briefed on the agreement at a company cocktail party, explained: "Nothing has really changed except that IBM no longer has to account for its presence in South Africa."

When asked what would happen if anti-apartheid pressure in the United States intensifies and parent company is compelled to cut off its products, services and spare parts, a spokesman for the subsidiary said, "We have anticipated that question, hoping it won't happen. IBM in New York is aware of our concern, and subsequent negotiations will be held to guarantee the protection of our employees, customers and dealers, to make it up to them if that happens."

The agreement for GM's divestment is similar to that of IBM, although it appears to have been motivated as much by economic considerations as by the political situation.

GM has not made a profit in South Africa since 1981, and its share of the automotive market here has been cut to just over 5 percent, down from 12 percent five years ago.

GM, the second-largest U.S. operation in South Africa, behind Mobil Corp., has said it intends to sell its subsidiary to a group headed by local management for an undisclosed amount. The unit has assets totaling about \$180 million.

Under the agreement, GM has agreed to pay the subsidiary's outstanding debt.

According to industry sources, the buyers will be given favorable treatment in evaluating GM's assets here, and probably will be given 18 months' delay before making payments for the subsidiary.

In exchange for this investment, which also must be made before the mid-November sanctions deadline, the parent company is to receive GM license fees for the use of its trademarks and continued income from South Africa from the sale of unassembled automobiles and parts made by GM in the United States, Japan and West Germany.

The new South African company and its 200-dealer network will maintain the exclusive franchise for sale of GM-made Opels from West Germany and of Suzukis and Isuzus from Japan, assuring the parent company uninterrupted income from South Africa even though it has shed its assets, capital and U.S.-affiliated employees.

CHURCH: Racism Called Sin

(Continued from page 1)

drew support for "the policy which over the years has become known as apartheid."

The leaders agreed to allow blacks, who represent a majority of the nation's population, Asians and people of mixed race to join the white church while at the same time refusing to join the separate churches into one.

One delegate, Jan Kuyler of Mosselbaai in Cape province, said at the synod that he prayed and wrestled with his conscience throughout the night before abandoning his lifelong conservatism to support opening the church to non-whites.

"I telephoned my wife in the middle of the night and told her to pray for me because I was in a crisis," he said.

The Reverend Allan Boesak, leader of the 650,000-member mixed race branch of the church, condemned the failure to label apartheid a sin.

On a visit to The Hague, he said, "They are saying that racism is a sin, but apartheid of course is not racism, therefore apartheid is not a sin."

"Their position of privilege and their rightness and their position of dominance in South Africa apparently is far more important than the suffering and the pain of black Christians," Mr. Boesak said.

CAMPAIGN: Call to the Faithful

(Continued from page 1)

Republicans, Maryland, Florida, Nevada and Idaho.

If these trends continue and no other seats change hands, the current 53-47 Republican margin in the Senate would become a 50-50 tie, and Vice President Bush would break it in the Republicans' favor.

But the White House assessment shows nine other races in the "too close to call" category. A net loss of one of these nine would tip the Senate to the Democrats. Six of the nine are held by Republicans, North Dakota, South Dakota, North Carolina, Georgia, Alabama and Washington. Three are held by Democrats, Colorado, California and Louisiana.

Mr. Reagan's campaign will include a personal appeal by the president to "cast a last vote for me" by voting for the Republican candidate.

Mr. Reagan's appeal not to return to what he has called "the failed policies of the past" contains many elements of his 1980 campaign against Jimmy Carter.

Mr. Daniels acknowledged this, saying, "I think this campaign has credibility. The Democrats ran against Herbert Hoover for 50 years, and we're close enough to Carter that some of the problems, like the interest rates and embargos that hurt the farmers, do trace back."

ROSTROPOVICH Sought Reagan Intercession

(Continued from page 1)

WASHINGTON — Mstislav Rostropovich, the Russian emigre cellist and conductor, said Wednesday that President Ronald Reagan had carried to Iceland a request that the Soviet Union allow Mr. Rostropovich's sister to travel to the United States next spring.

The Soviet leader, Mikhail S. Gorbachev, agreed to the request, Mr. Rostropovich said. The cellist added that his sister, Veronika, a retired violinist, and her husband, Mikhail Tomaszewski, an economist, are expected to help him celebrate his 60th birthday March 27.

Mr. Rostropovich, who left the Soviet Union in 1974 and is director of the National Symphony in Washington, said his sister's two children would remain in the Soviet Union.

He noted that Nancy Reagan had played a role in the episode after he failed to get a response from the Soviet government earlier this year.

GORBACHEV: Firm SDI Stand

(Continued from page 1)

confine research on SDI to the laboratory.

U.S. officials said of the latest round of expulsions that 5 of the 55 Soviet diplomats had been expelled because of the Soviet order Sunday expelling 5 American diplomats. In addition, the officials said, the 50 other Soviet diplomats were expelled to make the Soviet Embassy staff in Washington and the consular staff in San Francisco equal to the size of the U.S. contingent in Moscow and Leningrad.

In an earlier expulsion, the last of a group of 25 Soviet diplomats accredited to the United Nations left the United States last week under a U.S. government order to reduce the staff of the Soviet UN mission in New York.

Wednesday's announcement by Moscow brought to 10 the number of American diplomats ordered out of the country, including the U.S. Embassy's naval and army attaches.

The new Soviet restrictions seemed likely to limit U.S. Embassy and consular operations in the Soviet Union in the same manner as the American expulsion order does for the Soviet missions in the United States.

Reagan Arms Proposals

Mr. Reagan has directed U.S. negotiators to propose sharp reductions in long-range nuclear weapons to the Soviet negotiators in Geneva, administration officials said Wednesday in Washington.

CHILE: Foes, Junta Open Contacts

(Continued from page 1)

pressuring the commanders to seek constitutional reform that would allow free elections in 1989.

The recent shift of opposition emphasis was a victory for General Pinochet; just as a quick succession of improbable events in recent months appeared to have strengthened him further.

First came the rupture of an alliance between democratic parties and Chile's Communists. Then came the discovery of huge caches of smuggled American weapons from the Vietnam era that apparently were intended for the Manuel Rodriguez Patriotic Front, a two-year-old guerrilla movement that is identified as the armed wing of the Communist Party, which takes its direction from Moscow.

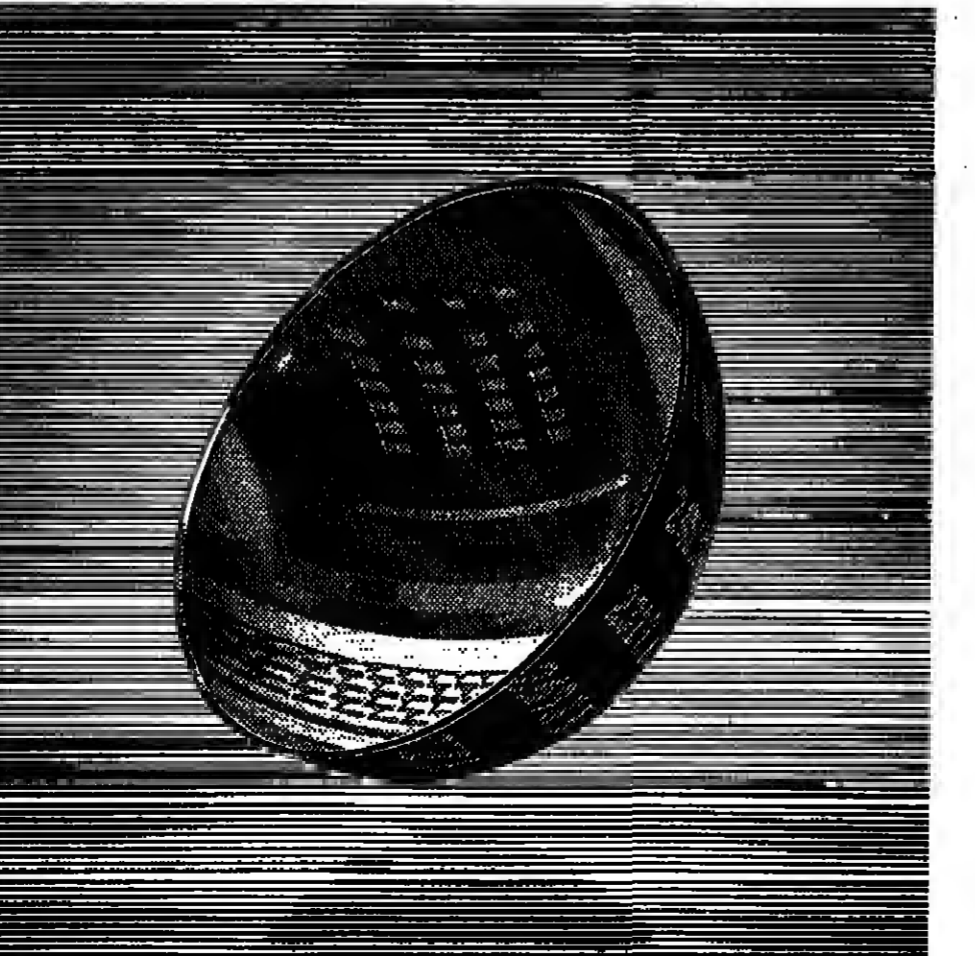
Finally, on Sept. 7, came a guerrilla ambush of General Pinochet's motorcade as it returned to Santiago from his country residence.

Within hours of the attack, General Pinochet imposed a state of siege. He censored the press, rounded up political opponents and banned public assemblies — except for a seven-hour parade in his honor two days later that was intended to support his presidential candidacy.

When mass protests against General Pinochet began in 1983, opponents from the conservative right to the Marxist left demanded his immediate departure. General Pinochet has easily weathered the storm, resolutely prosecuting his "war against international communism."

Recognizing that there seems to be little chance of driving General Pinochet out before his term expires, his democratic opponents are

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In a Pretoria Hospital, Wife Visits Soviet Pilot Of Jet Carrying Machel

By William Claiborne
Washington Post Service
JOHANNESBURG — The Soviet pilot who survived the airplane crash Sunday that killed President Samora Machel of Mozambique was visited in a military hospital Wednesday by his wife and a senior diplomat from the Soviet Embassy in Maputo.

China, Portugal Reach Accord on Future of Macao

BEIJING — China and Portugal said Wednesday they had reached "broad agreement" in talks on the future of the Portuguese-run territory of Macao on the south China coast.



PALME'S GRAVESTONE — A visitor looks over the rough-hewn gravestone dedicated in Stockholm for Prime Minister Olof Palme who was killed Feb. 28.

Minorities Lack Skills for New Jobs in U.S. Cities

By John Herbers
New York Times Service
WASHINGTON — Economic recovery in cities in the northern United States is creating new jobs, at growing numbers of poor minority residents lack the skills to reform them, according to an analysis of new census data.



Lord Carrington, the NATO secretary-general, is flanked by Defense Minister Geoffrey Younger of Britain, left, and Defense Secretary Caspar W. Weinberger of the United States at the NATO defense ministers meeting in Gleneagles, Scotland, on Wednesday.

Most NATO Defense Chiefs Back U.S. On Reykjavik Stand and Endorse SDI

The Associated Press
GLENHEAGLES, Scotland — NATO defense ministers on Wednesday backed the U.S. stance at the Reykjavik meeting and urged Moscow not to block the removal of nuclear missiles from Europe over the issue of the U.S. space-based anti-missile program.

reach in Iceland called for the withdrawal of the U.S.-made cruise and Pershing-2 medium-range missiles from Western Europe along with the Soviet equivalents, the SS-20 missiles. In addition, it envisaged a 50 percent reduction in U.S. and Soviet long-range missiles.

Jaruzelski's Drive to Broaden Government's Base Is Lagging

By Jackson Diehl
Washington Post Service
WARSAW — A campaign by General Wojciech Jaruzelski to broaden the political base of his government and prepare Poland for a new economic austerity program appears to be foundering only one month after the dramatic release of all political prisoners, politicians and diplomats here say.

able to jar Poland out of the pattern of polarization dating from 1981, when martial law was imposed to suppress Solidarity.

Kohl Urges Conventional Arms Cuts

United Press International
WASHINGTON — Chancellor Helmut Kohl of West Germany said here Wednesday that any U.S.-Soviet agreement to drastically reduce strategic nuclear weapons should also address Soviet superiority in conventional forces in Europe.

Gorbachev, Oct. 11 and 12 in Iceland. An arms control agreement collapsed in Reykjavik over Mr. Reagan's refusal to accept limitations on the Strategic Defense Initiative, the plan to develop a defensive shield against ballistic missiles in space.

Expulsions of Diplomats Set U.S.-Soviet Record

By Don Shannon
Los Angeles Times Service
WASHINGTON — Expulsions of Soviet and U.S. diplomats have occurred frequently since the Cold War era began four decades ago, but Washington's ejection of 55 Soviet diplomats Tuesday was unprecedented in scope.

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INTERNATIONAL Herald Tribune

A Wintry Jobs Scene

At the latest count, Britain's unemployment reached 3,333,000, rising by more than 50,000 in a month. One might have thought this an occasion for lament.

rate will still exceed 10 percent in 1990. There is less unanimity about what, if anything, should be done. The IMF urges governments to stick with their present prudent policies in the hope that, as they borrow less to finance their budgets, private business will automatically become more buoyant.

INTERNATIONAL HERALD TRIBUNE

Mozambique at the Brink

Samora Machel, killed in a plane crash in South Africa, had risen through the military struggle against the Portuguese to leadership of the party that has ruled Mozambique since independence in 1975. He held an African variant of Marxism, but his embrace seemed to loosen as he realized that Moscow could not provide him with the two things his country most desperately needed: development aid and protection against South African bullying.

kered commitment to work out an accommodation with Mr. Machel, instead intensifying support for the insurgents. Just two weeks after the South Africans, ostensibly responding to an African National Congress guerrilla action that they blamed on Mr. Machel, dealt him a hard blow by sending in South African missiles. Meanwhile, the United States found itself losing the standing in Pretoria that it had earlier used to induce the South Africans to back off.

Good Immigration Law

They will start lining up at dawn next July 1, outside a church basement here, a courthouse there. Hundreds of thousands of illegal aliens, most of them Hispanic, will wait patiently to accept the United States' offer of amnesty. That is the reform part.

ensure that their Social Security accounts will be properly credited. Hispanics feared discrimination because employers would reject anyone who even looked Hispanic. In time, the illogic of that sank in. If an employer had to ask for identification, that was a protection against discrimination.

Other Comment

Defense Is Popular Policy

Despite predictions of a political disaster for President Reagan in the wake of Reykjavik, his refusal to fall for Mikhail Gorbachev's carefully baited trap in Iceland is proving enormously popular. Polls show the public blames Mr. Gorbachev, not Mr. Reagan, for the breakdown in talks.

direction of Moscow in retaliation, in the process killing millions of people? —The Detroit News.

Publicity Promotes Rights

Amnesty International maintained its reputation for objectivity with its annual worldwide survey alleging human rights abuses in 128 countries. What occasions some surprise is the hopeful note sounded in a preface. Amnesty said it was encouraged by the emergence of more than 1,000 rights groups and the proliferation of laws aimed at protecting prisoners' rights. That indeed is the hope of the Information Age. —The Seattle Times.

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OPINION

Europeans Remain of Two Minds

By Josef Joffe

MUNICH — There are two things that Europeans dislike: too little arms control-cum-détente and too much of it. Rule number one holds that West Europeans are always nervous when they face the maneuvers of the two superpowers. Rule number two states that they worry because they expect to lose no matter what the Big Two do — whether Washington and Moscow clash or cozy up to each other.

The Hofdi House ersatz summit offers an excellent example for this perverse pattern. When it failed, West German Social Democrats wrung their hands and declared a "Black Sunday" for Europe and the rest of the world. But a few days earlier they had played an opposite classic in the European angst repertoire: warning of a "condominium" that would sacrifice Europe's interests to great power agreement.

On one level, Europeans look most fondly at Soviet exercises in detente-minded diplomacy. If Mr. Big-West is talking to Mr. Big-East, it is perfectly legitimate for the lesser members of the two alliances to talk trade, travel and regional arms control with each other. In the days of Cold War II, circa 1980-1984, such cross-border contacts raised eyebrows and suspicions in Washington and Moscow as both bloc leaders worked hard to rally their troops in Europe's favor.

And then there is a domestic bonus to détente. Chancellor Helmut Kohl faces an election next January. His center-right coalition, riding the crest of an economic upswing, is expected to win with a handsome margin. But Mr. Kohl is a bit vulnerable on his left flank where his Social Democratic and Green opponents, lacking a good domestic issue, will try to taint him as lapdog of an American president who is against all the good things in life: real arms reductions, a ban on "star wars," grasping Mikhail Gorbachev's outstretched hands are clasped, as they seemed to be for at least 11 of the 12 hours in Reykjavik, it becomes that much harder to snipe at President Reagan in order to hit Chancellor Kohl.

A measure of superpower cordiality is also good for Britain's Margaret Thatcher, who must fend off Labor claims that she is the vessel of a cold war in Western Europe. Still, there must have been sighs of relief in Bonn and London after Mr. Reagan and Mr. Gorbachev left Reykjavik empty-handed. The Soviet leader had dangled a breathtaking offer: total elimination of medium-range missiles in Europe — SS-20s, Pershing-2s, cruise missiles and all. That (remember rule two) was too much of a good thing.

Mr. Kohl, who is in Washington, is surely making the point to the president that he is the vessel of a cold war in Western Europe. Still, there must have been sighs of relief in Bonn and London after Mr. Reagan and Mr. Gorbachev left Reykjavik empty-handed. The Soviet leader had dangled a breathtaking offer: total elimination of medium-range missiles in Europe — SS-20s, Pershing-2s, cruise missiles and all. That (remember rule two) was too much of a good thing.

Business Has a Role to Play in Making GATT Work

By Giles Merritt

BRUSSELS — The 92 governments in the world's GATT free trading system did a good job in Uruguay last month when they launched a new round of multilateral trade negotiations. Now it is up to big business to do as well.

Giant corporations often claim to be victims of the creeping protectionism that the forthcoming "Uruguay round" is intended to counter, but many of these companies have been the instigators of protectionist action. While politicians and diplomats draw up agendas for the five years or so of tough talking that lie ahead, the world's boardrooms would do well to look closely at their own positions.

If the Uruguay round is to be a success, companies must move quickly to reduce the political pressures they have been putting on governments to "protect" them from competitive imports. This goes in particular for multinationals whose reputation as enlightened free-traders is nowadays quite undervalued. On both sides of the Atlantic, big companies that are definitely not in disadvantaged "rustbelt" industries have been calling for import curbs. And even Japan's world-beating high tech corporations are still shortsightedly protectionist when it comes to government procurement contracts.

signal that the way is clear for the Uruguay round to begin to do, however, rest with either the U.S. Congress or the EC Council of Ministers. It is up to the managements and labor representatives of industry to take a step back and look carefully at their positions on trade issues. Business political lobbies initiated much of the current protectionism, and the "handcuffs" and "bollwecks" of trade curbs that the GATT round aims for will not be secured without their help.

The roster of leading corporations that no longer have clean hands makes interesting reading. It used to be only truly beleaguered sectors like steel, shipbuilding and textiles that demanded special treatment to keep out low-priced goods. In Europe today the electronics sector clamors for trade concessions, automakers are

protected by a web of restrictions and chemicals producers make 40 percent of all EC anti-dumping complaints. In America the protectionist mood is worse still. Bodies like the Labor-Industry Coalition for International Trade and the Committee for International Trade Equity have gained much of their support in industries that would eventually hurt a lot if international trade opened. Yet a survey of 295 U.S. companies by the Conference Board not long ago showed that two-thirds are now actively lobbying for more protection.

The mid-September agreement between the GATT trade ministers who met at Punta del Este to launch a new round of trade liberalization negotiations was an achievement. Deep-seated divisions between North and South and between food exporting

nations almost wrecked the initiative. The Uruguay round has a lot of lost ground to make up. As recently as 1980, only 6 percent of manufactured goods imported into the United States were subject to special restrictions, and for the EC the proportion was 11 percent. Now the respective figures are 13 and 15 percent.

About seven-tenths of the \$2 trillion in international trade conducted yearly inside the GATT system is done by multinational corporations. According to experts at the New York-based UN Center on Transnational Corporations, the bulk of that trade is controlled in one way or another by little more than a thousand big companies. Their executives might recall that their worldwide companies may well owe their existence to the Dillon round, the Kennedy round and the Tokyo round.

A Critical Assessment of American Managers

By Hobart Rowen

WASHINGTON — A book by the plain-speaking chairman of Sony, Akio Morita, is most reading for corporate America. "Made in Japan" cuts to the heart of the explanation for America's fading industrial leadership: failed management.

In the suggestive book, and in an interview, Mr. Morita warns that American corporate managers have lost sight of their basic responsibility to employees and customers. Instead of pursuing investments that sustain long-term growth, the main goal of many is a fast buck to satisfy stockholders, along with fat salaries and bonuses for themselves.

Mr. Morita gets in a telling blow to fellow author Lee Iacocca of Chrysler, who complains about the absence of "a level playing field" with Japanese car-makers, then makes deals to

buy and market Japanese cars — which costs American jobs.

"The remarkable thing about management is that a manager can go on for years making mistakes that nobody is aware of, which means that management can be a kind of con job," Mr. Morita writes. Somewhere along the line, he learned that high volume at a modest profit is more rewarding than low volume at a high profit. "Years ago," he writes, "I was told by a European friend that if you had a fine book manuscript and knew you could sell 100 copies of the book, the European publisher's reaction would be to print 99 copies. ... We would keep printing those books and sell as many as

we could. The more we printed, the cheaper the price would be, and with promotion and education we could create more demand ..."

Mr. Morita is not alone in blaming management for much of America's economic headaches. Carl Icahn says in the current issue of Business Week that many chief executives have become bureaucrats obsessed with the exercise of personal power. David Halberstam, in his examination of Detroit's downfall at the hands of Tokyo, changes in his new book, "The Reckoning," that financial men and accountants interested in short-term profits, rather than engineers, have been in control at General Motors and Ford. That helped Toyota and Nissan take their customers.

Mr. Morita argues that management's key role is to motivate workers: "Once we have hired people, we try to make them understand our concept of a fate-sharing body and how, if a recession comes, the company is willing to sacrifice profit to keep them in the company. ... They know that management does not lavish bonuses on itself [and that] there are no 'golden parachutes' for managers except a simple lifetime parachute of guaranteed employment and a life of constructive work."

His latest passion is to get the major countries to crank some stability into exchange rates. For businessmen, he likens recent erratic changes in the dollar's or the yen's value to a change in a golfer's handicap on every hole. The result is that industrialists concentrate on "the money game" rather than on their real mission to invest, produce and sell.

But "if the dollar-yen rate stays at 150," Mr. Morita told me, "Japanese labor will be more expensive than American labor, and American production will become more profitable than production in Japan." He is already planning to move more Sony production to America. He has been making Sony products in America for 25 years. He now agrees that Japan will have to reduce many of its barriers away from export markets, in line with the government-backed Maekawa report, "and share the pain if the world's economic system is to adjust to new realities and become more equitable."

The Washington Post.

More to This Session Than Met the Eye

By David S. Broder

WASHINGTON — The 99th Congress, which finally shut down and quit town last week, was despised. It seemed to be an aimless blunder, but it accomplished reforms in major areas of government that will be felt for years.

The end of the session meant the end of the public careers of House Speaker Tip O'Neill, a Massachusetts Democrat, and Senator Barry Goldwater, an Arizona Republican, who symbolized opposite ends of the political spectrum. Like the 99th, the two men were more than they sometimes seemed.

Long before they were bathed in the warm sun of valedictory sentiment, Mr. Goldwater had been canonized or condemned as "Mr. Conservative" and Mr. O'Neill as the archetypal liberal. They both came to Congress in 1952 and neither was initially seen by colleagues as a likely leader of his party.

Both, it turned out, were unusually tenacious and unimpaired defenders of their different faiths — ready to challenge the strongest of opposition opponents. Mr. Goldwater took on Lyndon Johnson at the height of his powers and Mr. O'Neill has rallied the opposition to Ronald Reagan these past six years. Neither won the momentary battle, but Mr. Goldwater lived to see many of his ideas vindicated and brought to life by Mr. Reagan. Who

is to say that Mr. O'Neill may not enjoy witnessing a similar reversal in his retirement years?

Both men were able, in time of genuine crisis, to rise above party in an attempt to rescue the country from ruinous folly.

Mr. O'Neill was almost the first powerful, mainstream, urban Democrat to break with President Johnson on the Vietnam War and through his weight behind the call for ending that tragically mistaken intervention. And in the constitutional crisis called Watergate, Mr. Goldwater's was one of the decisive judgments — some would say the most important — in telling Richard Nixon that he had overstayed his time and overtaxed the tolerance of the American people.

The 99th Congress has left a heavier imprint on the history books than its day-to-day shenanigans would have led anyone to suppose. For all the divisions between the Democratic House of Representatives and the Republican Senate, for all the endless infighting with the White House that marred these last two years, Congress mustered the will to make structural changes that will produce benefits for decades in at least four fields. It enacted a major overhaul of

the tax system, which will allow most working families to keep more of their income and nudge investors and businessmen toward making more of their decisions on solid economic grounds — not so as to exploit loopholes in the code. The benefits for the United States in the increasingly competitive international market will be substantial.

A third structural change, one in which Mr. Goldwater had a major hand, was the reorganization of the Pentagon, aimed at strengthening and unifying the Joint Chiefs of Staff and expanding the authority of field commanders. It is a rational attempt to build on the lessons learned from Vietnam through Grenada. Its sponsors hope it will make more likely that the vast infusions of money into the Pentagon produce a more effective fighting force.

Finally, the Superfund bill is a major commitment, financed in a balanced way, to clean up the life-threatening residue of the waning industrial age. It is a symbol that even in this conservative era, government and industry are prepared to meet their obligations to public health, not walk away from them.

Given the politically divided government that the voters mandated, all these measures represent victories for bipartisan cooperation. Regrettably, no such sensible accommodation was found in the largest area of federal responsibility — government services against the revenues collected. That challenge awaits the 100th Congress — and what a task it is. —Senator Barry Goldwater, writing in The Washington Post.

Goldwater on Delayed Housecleaning

An overhaul of the future budget process is needed. We should start by providing realistic, achievable deadlines and eliminating the duplication in the budget process. We need a two-step process at most — one step that sets the overall spending levels and a second that determines the individual elements of each appropriations bill. We should also look seriously at revising the committee structure of both houses, to clarify lines of authority and put a stop to petty jurisdictional bickering. Congress recently demonstrated enthusiasm for reorganizing some-

one else's operations. The House voted 406-4 and the Senate 95-0 for a plan to reorganize the Defense Department. Unfortunately, the bill did nothing to change a major problem in the defense budgeting process: Congress. Every year Congress adds billions of dollars to the cost of defense by inefficiency, inconsistency and misappropriation of defense funds to promote parochial interests. It would be the ultimate hypocrisy if, after reorganizing the Pentagon, Congress did not clean up its own houses. —Senator Barry Goldwater, writing in The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO

1911: Women as Voters

PARIS — [In a letter to the editor, Mrs. Isabelle G. McKee writes:] "Your account of the chairmanship of Father Bernard Vaughan at a suffrage meeting held on board the Minnetonka during its recent voyage to the United States shows that Father Vaughan is singularly wanting in 'savoir faire.' Asked for his opinion, he stated that his idea of the coming woman was not one who marched to the polls, but one who took care of her home and reared her children in the fear of God. If he does not agree with woman suffrage, why take the chair? The reason why some suffragists wish to 'march to the polls' is to protect the home and be able by legislation to watch over the educational and social well-being of the children for whom they are responsible."

1936: Closing on Madrid

BURGOS — After their victory at Navacerrero [on Oct. 21], in which the Burgos communists declared "the enemy were completely demoralized," the White forces are preparing for a steamroller "push" for Madrid. The forces commanded by General Emilio Mola are declared to have nearly surrounded El Escorial, completing three-quarters of a circle, and the highway to Madrid on which the insurgents are now concentrating is expected to be in their hands very soon. Once this objective is secured, General Francisco Franco will have three main arteries at his command along which his army of Moors, Foreign Legionaries and Regulars can march. It is believed in Burgos that Navacerrero was the government's last hope for the defense of Madrid.

OPINION

Remember These Statesmen and Weep

By Philip Geyelin

WASHINGTON — To have been young and working in Washington as a newspaper reporter in the postwar years was, as Hemingway once said of Paris, a "movable feast."

The sense of having borne witness to a golden age in the conduct of American national security affairs stays with you over the years. It conditions what you think of everything and every public figure that follows. It establishes a standard against which poorer policies and lesser policy-makers are measured and almost invariably found sadly wanting — so much so that you begin to wonder whether nostalgia isn't playing you false.

It isn't, alas. You can chalk it up to nostalgia in institutions, the cheapness of statecraft and statements by the information revolution; weariness or wistfulness (the Vietnam syndrome); an upward-trending preoccupation with material things and private gains.

But you cannot escape the clear message of a new book, "The Wise Men: Six Presidents and the World They Made." Something of great value, something too complex to be captured in catchwords like honor, duty, country, has somehow leached out of the traditional planting grounds of national security policy.

These of us of a certain age will find in this book a richly anecdotal trip down memory lane. Younger people who may think that the contemporary conduct of international affairs is more or less the way it has always been will find themselves on a monumental voyage of discovery — monumental in its scope and concept, and also in its ambition.

That the reach of "The Wise Men" exceeds its grasp is forgivable. In the way that co-authors Walter Isaacson and Evan Thomas have chosen to tell their story, they have almost necessarily sized off more than they can chew.

What they have bitten off is really six biographies, each one of which could have been the subject of a useful volume. Instead, the lives of Dean Acheson, W. Averell Harriman, Robert Lovett, John McCloy, Charles Bohlen and George Lemmon have been interwoven, too often artificially and in a way that tends to vitalize the central point about "the world they made" with their concept of Communist containment, the Truman doctrine, and the Marshall Plan ("their most and greatest achievement").

The labels and the stereotypes attached to them (Ivy League, Wall Street, Establishment, secret societies at college and exclusive clubs in later life, inherited wealth) link one to another or craps apply to several, but can by no means be stretched to fit all six. And so a few too many words are wasted on what strike me as superficial linkages.

Mr. Harriman and Mr. Lovett, for example, were cut, in a sense, from the same cloth. But Mr. McCloy was a poor boy from Philadelphia, and Mr. Keenan an insecure boy from Milwaukee. Mr. Bohlen was born with "social graces" and Mr. Acheson was the son of an

Episcopalian bishop. That they all wound up as card-carrying members of the postwar policy-making establishment, along with many others (George Marshall, James Forrestal, Paul Nitze or Llewellyn Thompson might as easily have been chosen), was due less to some common denominator of privilege, elitism or intellect than to a shared sense of what public service is all about.

There lies the central point. It is not that these two bankers, two lawyers and two foreign-service career officers and Soviet specialists "did not have to worry too much about the daily chore of child care, or about their wives' careers or about paying the mortgage," although that, as the authors note, was their good fortune. It was that while they retained government service, they did not "cave in merely to possess it."

Mr. Lovett and Mr. McCloy probably turned down more public offices than they accepted. Mr. Harriman was on Harry Truman's short list of two, before losing out to Dean Acheson for secretary of state; yet he loyally accepted the lesser post of White House national security adviser when Mr. Truman asked him to "help Dean, he's in trouble."

In contrast to the grim careers of those who now populate the official bureaucracy, or the grasping opportunists who value a sub-cabinet post primarily as a springboard to a lucrative job with a government contractor, the authors note, "the amateurs of the old postwar Establishment actually seemed to enjoy their work."

In their painstaking excavation of postwar policy-making, the authors have turned up some other distinguishing common characteristics of the "wise men." As pragmatists "they were not primarily worried about Marxism or

Communist ideology," Messrs. Isaacson and Thomas argue. "What they sought to contain was the spread of Russian domination. They would likely have reacted the same way if the xenophobic and expansionist empire at issue was still czarist rather than Bolshevik."

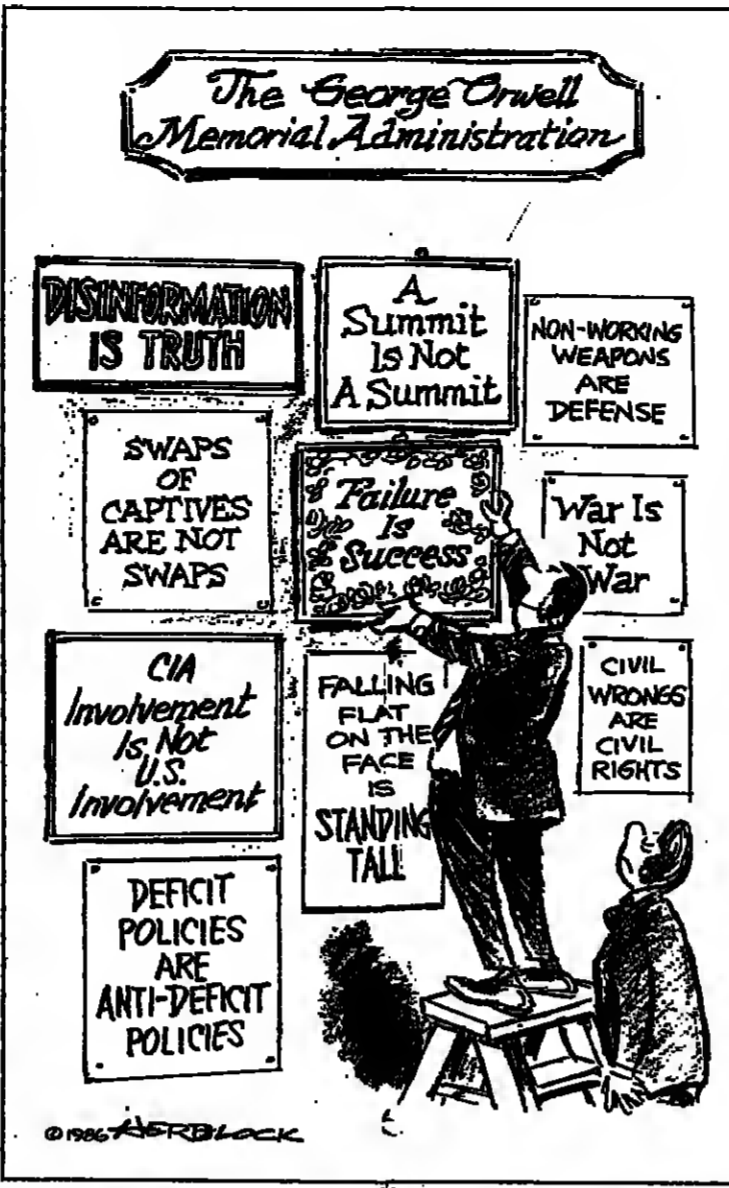
Making no neat distinctions between one or another form of oppression, they shared "an abhorrence of the imposition of totalitarian systems on people yearning to live freely." Yet their "businessman" approach to the Soviet Union as a "competitor" inclined them to seek a "realistic modus vivendi," to accept limits on American power, to recognize "spheres of influence."

The authors freely concede that history's judgment on the "wise men" will be mixed. In their zeal to build a consensus for a grand new concept of America's role in the world, a case can be made that they "left a costly legacy for successors who were neither as pragmatic nor as flexible when it came to balancing commitments with resources" — that "the men of the establishment sowed the seeds of both the Vietnam War and, ultimately, their own undoing."

The interweaving of these six remarkable lives may not have produced a seamless web; it is more of a patchwork quilt. But the design and the patterns are plain to see: The six shared loyalty not to presidents but to the presidency; the sense of themselves "not as public figures but as public servants"; the selflessness in times of crisis.

The authors' conclusion: "There certainly does not now exist, and may never again, a breed of statesmen with the same synergism, the talent to work together in a way that transcends their contribution as individuals." If you care about the conduct of American national security affairs, look about you as you read this book and weep.

Washington Post Writers Group.



Baseball? In Croquet at Least You Actually Whack Balls

By Jim Fain

WASHINGTON — Baseball is an elaborate hoax like Halley's comet — all hype, no beef. It survives as soporific for insomniacs and therapy for souls intellectually overmatched by basket-weaving. A sport it ain't.

Currently this terminally torpid travesty is engaged in a comatose pageant it bills with unconscious irony as the World Series. Absence of consciousness is indispensable to baseball; without its

MEANWHILE respirator, it would have joined the baggy-whip cartel in eternal rest years ago. The aim of this year's world series (why stop at "world"? "universe" sounds grander) is to select the least helpless collection of retarded goats along the North Atlantic coast of the United States, a broader horizon than last year when the wretched supporters were confined to a strip of Interstate-70 in the state of Missouri. Most of the world prefers warm milk to baseball as sedative and thinks of sport in terms of activity and skill, as in soccer.

There has been concern about drug usage by baseball employees, but a humane policy would accept something akin to methadone maintenance for victims who, because they are metabolically incapable of ordinary activity, stand around in outfields for hours every night, staring at glaring lights and spitting on artificial grass.

Many who take themselves out to ball games employ the charade as a summer-long Oktoberfest for beer-drinking. This supports segments of the economy but is dangerous in such a languid environment. When some soused fan summons

the energy to throw a bottle, it is unrealistic to expect anyone to duck. The antidote so far has been to stop sales in the seventh inning on the assumption, apparently valid, that baseball defecates either can't count or are incapable of stopping up an inventory.

The Japanese, who imitate all U.S. follies, are too energetic to doze between pitches. They spice up the sloth by putting more dials on their TV screens than a digital-dash-board Buick. Lifetime batting averages, camera-gun speed-of-pitch indicators (probable lies but who cares?) and the latest wind drafts off Mount Fuji relieve the tedium of wondering if someone is ever going to throw a ball so someone can foul it off.

In the United States, baseball's slow-motion studies of earnest if dimly lit faces being scratched, ears tugged and jaw muscles languidly attempting to deal with bubble gum give employment to many of my journalistic brethren and thus are not without redemption. Only in politics are so many high-sounding words devoted to so little. Baseball's perfect vacuum of substance and action provides an excuse for writing cute phrases. Hence the hype. As Einstein said, we all got to be somewhere.

Still, I think it's time to take a quantum jump and crown croquet the American pastime. Compared to baseball, it's fast-paced and competitive. People actually whack balls. You don't see stacy stuff like buns, balks and walks in croquet. If the coronary rate soars, we can always find a cadre of zombies sluggish enough to restore what fans call, with more of that unconscious irony, precisely what they are: slugfests.

Cox News Service.

From Munich to Reykjavik

There is a historical parallel between the Munich summit of 1938 and the recent Iceland summit, both of them hastily arranged traps cleverly baited by "authoritarian" regimes. But there is likewise the historical difference that Neville Chamberlain said yes and came home waving an agreement and crying "Peace in our time," while President Reagan, to his honor, said no.

ERNST LAMBERG, Malmö, Sweden.

The Reagan administration argues that nuclear arms have kept the world safe from superpower confrontation. But it has not been nuclear weapons that have kept us safe, for they do not make the decisions that bring about war. Rather, it has been the world leaders who have had the intelligence to forestall their usage. Two ideologically opposed

powers have both kept their fingers off the buttons, and both deserve credit.

It is with illusions that people view their foes. We can only hope that our leaders will be able to overlook what is not there and start to trust one another.

KEITH HARWOOD, Mougins, France.

Meanwhile at the Morgue

Hebe Dorsey's account of the mood in Paris at the spring-summer collections, amid of stringent security measures, was most poignant. ("Security Takes Joy Out of Opening Shows," Oct. 17.) Fighting back tears, one reads that "the Court Carriage of the Louvre, usually a mad scene with gossips, crazies and assorted hangers-on, was as quiet as a morgue." As the morgue that held the remains of recent terrorist victims?

CAMERON M. WATSON, Paris.

About Tax Equalization

Sherry Buchanan's article (Living Abroad, Oct. 17) on the increasing cost to U.S. companies of providing tax-equalization benefits to their expatriate employees under the new U.S. tax reform fails to point out the serious flaw with almost all of such programs.

Nothing makes less sense in the real world but more sense to a U.S. expatriate than doing tax planning based on a "hypothetical tax burden." The expatriate's tax planning decisions are necessarily designed to reduce his hypothetical tax (which he absorbs) but often do nothing to reduce his actual U.S. or foreign income taxes (which the employer pays). As a result, the employer picks up a very expensive tab for the difference. Because this difference becomes a taxable benefit, the cost of keeping the expatriate executive abroad can spiral.

What "most" U.S. employees do not

They Were Free to Go

Most comment on the "defection" of American scientist Arnold Lockshin and his family to the Soviet Union has

missed the most important points. He needed no exit visa, and left when and as he pleased. He lost his job first, and then decided to leave; in the Soviet Union it is generally the other way around.

JULIUS I. FOX, Kfar Shmaryahu, Israel.

To Each His/Her Sport

The greatest spectator sport in the world is, of course, horse racing. The second, unbeknownst to Victor T. Stubbis (Letters, Oct. 16), is baseball, which is experiencing an attendance boom. It is played not only in North and South America but also in Asia and Western Europe; recently the International Olympic Committee added baseball to the 1992 Games. Meanwhile, enthusiasm is growing in Europe for American-style football.

HERBERT JOHNSON, Paris.

LETTERS TO THE EDITOR

I have read the International Herald Tribune for 20 years, but I am appalled by the preponderance you give to American football and baseball. I know that many others among your readers share my feelings. What a waste of space!

J.C. CRAWFORD, Cannes, France.

My, my, how testy one becomes when deprived of his cricket news. It has obviously escaped the notice of Mr. Stubbis that the International Herald Tribune is an American newspaper. Quite understandably, it reports on American sports that we American expatriates know, love and miss — no matter how minuscule they may be on the international scene.

TERESA MEYER-HOYE, Aarau, Switzerland.

Cricket is boring.

JEFFREY S. JORDAN, Zurich.

Large advertisement for interRent car rental with text: 'Welcome to Business Tariff in Europe.' and 'interRent rent a car'.

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CANADIAN OVERSEAS MARKETING ORDER FORM with a grid for selecting numbers and fields for name, address, city, country, and signature.

SCIENCE

The Silent Twins: A Study of Double Torment

The twins said not a word apart from a few grunts which the court interpreted as pleas of guilty. The legal pantomime went on around them without touching them.

By Oliver Sacks

THE scientific study of twins is little more than a century old, and was inaugurated by Darwin's cousin, Francis Galton. Galton was the first to cast a Darwinian eye on the inheritance and heritability of man's highest functions. Through the study of twins — especially identical twins, early separated and separately reared — it would be possible, wrote Galton, "to weigh in just scales the effects of Nature and Nurture, and to ascertain their relative shares in framing the disposition and intellectual ability of men." He concluded, with reservations, that Nature here showed itself far stronger than Nurture.

Galton perceived that the lives of twins seemed to lie under a sort of fatality, but he saw this as wholly constitutional and inborn. It was reserved for a succeeding generation to see that there was another fatality: the special twin relationship, interaction, "situation."

The twin bond was minutely examined by Dorothy Burlingham, the lifelong colleague of Anna Freud. She opens her book "Twins" with a consideration of the common (but oddly overlooked) fantasy of having a twin, and its contrast to the actuality: "In the fantasy, the relationship to the twin is imagined as an untrodden and changing one. Observation of reality shows the twin relationship threatened by negative and aggressive feelings, which manifest themselves in competition, rivalry for the parents' love, jealousy, and the wish to dominate the other. . . . Yet the need for the twin makes each partner adapt and adjust to the personality of the other. In this manner the twin relationship becomes the closest known tie between two individuals."

Usually, twins are able to differentiate fully, to become complete individuals while maintaining this singular tie. But sometimes this tie may become pathological — Miss Arlington speaks here of the win-pair becoming a "twin-team" "twin-gang" feeling, doing everything together, caught in a helpless entanglement or ambivalence.

In 1962 Marjorie Wallace, a writer for the Sunday Times of London, found herself the reporter of a singular case — the trial of apparently identical twins on charges of arson and theft. "It was an extraordinary occasion. The twins, tiny and vulnerable, said not a word apart from a few grunts which the court interpreted as pleas of guilty. The unemotional legal pantomime went on around them without touching them."

June and Jennifer Gibbons were sentenced to indefinite detention in Broadmoor, a notorious institution for the criminally insane. The harshness of this sentence, combined with the strangeness and apparent helplessness of the twins, moved Wallace to investigate — to visit the entire life histories of the twins, and, above all, to explore their extraordinary inner worlds.

His investigation, with affinities to case history, a psychoanalysis, a detective story and a novel, is united in her book "The Silent Twins" (Prentice Hall Press).

Such an investigation could never have reached the depths it did — the writings of the twins are had been no intimation in art that they were anything more

than ordinary delinquents). But Ms. Wallace, visiting their home, found "a small room full of black plastic dustbin bags . . . an extraordinary collection of diaries, typed manuscripts of stories, novels, poems, illustrated strips and books of drawings." These writings of the twins to some extent form the core of this book.

The twins' birth, their parents, their early years, seemed unremarkable enough. Their father, an intelligent if remote West Indian, worked as a technician with the Royal Air Force; their mother is described as "sensible and intuitive." They had three children before having the twins, June and Jennifer, in 1963. Though life appeared comfortable and easy enough on the surface, there must have been special problems and strain — their father, one of the very few black West Indians in the air force, continually moved his family from one posting to another. We are told very little, too little, of the earliest years of the twins, only that they were "full of life and played happily together, deeply involved with one another, but they were late talking. By the time they were three years old they were only able to put together the simplest two- or three-word sentences and even the few words they knew were indistinct." But curiously, their parents were not particularly worried, and in every other way they seemed healthy and happy.

When they were 5 and in school, their teacher noted they were "inseparable," and would not talk to her, though they talked to each other. But there was still, extraordinary though it sounds, no real anxiety in either the mother's or the teacher's mind. The twins were "very shy" — that was all there was to it. It was only by the time they were 8½, and transferred to a new school, that the severity of the twins' problems, suddenly exacerbated, became undeniable.

They found themselves laughed at in class and bullied and teased in the playground. They were forced to cling more tightly to each other, to strengthen the walls of their twinning. They stopped trying to communicate with outsiders and, even within the family, became more isolated, chatting away by the hour to each other and their dolls in an unintelligible secret language.

Their matters might have rested had it not been for a perceptive school medical officer who had occasion to give the twins, and all the other children, vaccinations. Neither twin showed any response when he vaccinated their arms: He described them as "zombies" unlike any other cases he had seen.

Profoundly disquieted, he arranged for the twins to be sent to a psychiatrist, a speech therapist and surgeon (to cut an alleged "tongue-tie"). The observations of the speech therapist were the most penetrating: "There was a sort of game going on. I could see June dying to tell me things. Then something would happen. Jennifer was stopping June. . . . The thought entered my mind that June was possessed by her twin."

The twins, finally recognized as peculiar casualties, were removed from school to a local center for special education. From the parents' not being "unduly worried," to the psychiatrist's diagnosing "cultural gap" and "tongue-tie" and scores of incidents thereafter, "The Silent Twins" gives one the



Jennifer, above far left, and June at Broadmoor; above, as babies; left, drawings done by Jennifer while in detention.

feeling of endless mistakes — the denial, by all concerned, of the situation's ominousness and gravity — and thus driving it, over and above its own dynamism and drive, toward the worst that could possibly happen.

In particular, it now started to become increasingly evident, the twins could neither bear each other, nor bear to be separated. During one separation June half-garroted herself, and Jennifer wrote: "Could I drown myself in the bath? Or should I get a pin . . . and stick it in my heart?" Perhaps for them at 15 it was already too late.

And now too adolescence was upon them, whipping up new intensities and new feelings they had never had before. With all this, the twins were to ascend or descend into another world, a dream world, turned toward violence and fantasy and regression on the one hand, and exhilarating and concentrated "creativity" on the other.

"The bedroom upstairs in Furry Park became a powerhouse for these fantasies, rich and alive. . . . The streets and slabs of terraced houses on the estate had become a graveyard from which they had to escape. They did so by building their own kingdoms of the imagination, much as the Broniti sisters had done. . . . The Broniti's writings also sprang directly from their obsession with toys." But here, as Ms. Wallace, stresses, continuing her analogy, the imaginary places, the scenarios, diverged profoundly. The twins' fantasy was not the "Glass Town" of the Broniti's, it was a "Clockwork Orange" land of violent, suburban America. Their dream city was Malibu, the place where teenagers are perpetually stoned on drugs and alcohol. . . . The 'dolls' took part in gang warfare; they were hijacked on Greyhound buses; they became terrorists involved in assassination plots; they robbed stores and murdered their parents."

Both twins wrote books — their typewriter was going constantly now — and did everything they could to have them printed and published. June's "Pepsi-Cola Ad-

dict," anarchic, violent, may be as close as a self-educated adolescent of 16 could ever come to writing "A Clockwork Orange." But the anarchy, the violence, the American daydream, spilled over into their lives as well. The twins, previously always in retreat and alone, fell in love, or became infatuated that summer, with a group of American boys nearby — boys whom they could fantasize as "Malibu" and whom they pursued with an extraordinary, clumsy drive. The boys, happy enough to fall in with their fantasies, plied them with drinks and drugs. Sex — casual, compulsive, tender and violent — completed their "coming out" that summer.

If the twins brought to mind the Broniti's before, they bring to mind Rimbaud in that intoxicated, mad, festive summer. This brief, brilliant zenith, then a descent into hell — with the American boys going back to America and all of their writings being rejected by publishers, the twins now did a nose dive into despair; and with this, rage and regression too. They now deter-

mined on a life of crime: This would be their new romance and creation. The "crimes" envisaged were essentially childish — and they were meant to lead to the criminals: first burglary ("we left fingerprints everywhere"), then vandalism and fire-setting ("I'm going to be the biggest arsonist"), coupled with the excitement of baiting the police (whom they themselves would tip off).

Inevitably they were caught. Their parents, Gloria and Aubrey, were astonished — but then they had been rather out of contact with the reality of their twins for the last 15 years. The twins were detained in a remand home, sent to trial and finally sentenced to Broadmoor. Broadmoor was frightful, Broadmoor is frightful, and for the twins, so romantic, even in crime, it was the end of romance, of life, of everything. Their first months there were very intense — they were murdered when together, suicidal when separated — and in this tortured time they wrote their prison diaries, which Ms. Wallace rightly sees as "masterpieces . . . more

perspicacious than any psychiatric reports."

Broadmoor has a system for "psychopaths" or "hardened criminals" (as the twins, absurdly, were called in court): "Behavior Modification" — an essentially Pavlovian regime of reward and punishment, punishment mostly, guaranteed to break the spirit; and major tranquilizers (neuroleptics), apt to produce a vacant, Parkinsonian deadness. And to these were added separation, for the twins. Separation, behavior modification and neuroleptics are now, apparently, "working." The twins behave themselves, obey the rules — and broken, dulled, they have ceased to read and write. This seems to be the end of the line. One of Jennifer's last entries, before she gave up her pen: "What a senseless degrading havoc I have made of my poor sweet human life."

This is the remarkable and tragic story Marjorie Wallace has gathered and brought together.

That she was able to talk to the twins themselves, in the face of a willful mutism they had presented to the world since the age of 8; that she was able to get through their barriers, and enter their singular, often tortured world, is testimony to something extraordinary in the author herself. Thus, it is not just the story, which over a three-year period she meticulously reconstructed, but the remarkable way in which she allows us to enter the twins' minds and perceptions which make "The Silent Twins" unique of its kind. It is the most detailed portrayal we have ever been given of the inner worlds of greatly afflicted and tormented identical twins.

Oliver Sacks is a neurologist. His most recent book is "The Man Who Mistook His Wife for a Hat." He wrote this for The New York Times Book Review.

IN BRIEF

Early Test Developed for Dyslexia

NEW YORK (UPI) — Pediatricians have developed a new test using lights and a computer to identify dyslexia in pre-school children.

Children with dyslexia have trouble learning to read because of difficulty recognizing patterns of letters. The condition is usually diagnosed after one or two years of school, according to Dr. George Pavlidis, associate professor of pediatrics at Rutgers Medical School, who helped devise the test.

Often children with the disability are far behind their classmates in reading skills by the time they are diagnosed, he said. In the new test, children too young to read are asked to follow sequences of lights, which are considered a substitute for letters and words. The children's eye movements are tracked, recorded and analyzed by a computer. Dr. Pavlidis said a standardized version of the test could be ready for distribution within a year.

Child Obesity: Don't Blame Parents

NEW YORK (NYT) — The popular notion that overindulgent parents are the cause of childhood obesity has been dealt another blow. Earlier this year, researchers at the University of Pennsylvania, who studied adopted children and their adoptive and natural parents, showed that genetics had a far greater influence over children's body weight than did environmental factors.

Now researchers from the University of Missouri have found no relationship between infant feeding practices and childhood obesity. Neither did parental attitudes toward food and its non-nutritive uses have any connection to children's weight problems. Thus, parents who bottle-feed their babies and introduce solid foods early in infancy were no more likely than others to have overweight children. And parents of overweight children were not any more likely than others to endorse the use of food for reward, punishment, soothing or affection.

The study, conducted among 94 preschool children and their parents, was reported in this month's issue of the Journal of the American Dietetic Association. The research team, headed by Ruth E. Patterson, cautioned against simplistic assumptions about the causes of childhood obesity, which they found more closely linked to low educational status among parents than to any other environmental factor examined.

Close-Up Shots of Distant Galaxies

NEW YORK (NYT) — Lofted to the top of earth's atmosphere by a balloon the size of a football field, a special telescope built by the California Institute of Technology has recorded the most detailed gamma-ray images ever made of distant galaxies and stars.

The gamma-ray telescope, built under the direction of Dr. Thomas A. Prince, was launched from the National Scientific Balloon Facility in Palestine, Texas, on Oct. 15, and returned to earth in Arkansas the following day. Since ordinary glass lenses cannot be used for focusing highly penetrating gamma rays, the telescope's equivalent of a lens is an array of 1,000 hexagonal blocks of lead arranged in a honeycomb pattern with spaces in between. Each of the spaces between the lead blocks served the same function as the pinhole in a pinhole camera, and for each picture, the faint images from all the holes were superimposed to produce a measurable image on a sensitive gamma-ray detector.

The objects photographed by the Cal Tech telescope included the remains of a supernova explosion, several distant quasars, a mysterious object called "Geminga" that emits intense gamma rays, a black hole, and the center of our own Milky Way galaxy. Many astronomers suspect that the Milky Way galactic center harbors a black hole, and future analysis of the Cal Tech observations may settle the question.

Drug Is Tested on Lung Embolisms

BOSTON (UPI) — Researchers say an experimental drug produced by genetic engineering technology appears highly effective in dissolving blood clots in the lung, a problem that causes the deaths of 50,000 people a year in the United States.

If research confirms the initial findings, scientists said the drug could reduce the number of deaths from pulmonary embolisms. The drug, called rt-PA — recombinant human tissue-type plasminogen activator — dissolved clots in 37 of 40 patients treated in a study at Brigham and Women's Hospital here, according to a report in the British medical journal Lancet.

"It is extremely effective and appears to be quite safe," said Dr. Eugene Braunwald, chief of medicine at the hospital. "We think it's a significant improvement over what's available for a very common problem." Another drug, streptokinase, is used to dissolve clots but is only effective in about half the patients and often causes excessive bleeding, he said.

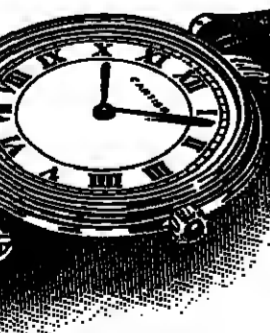
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Service-Organisationen
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NYSE Most Actives table with columns: Vol., High, Low, Last, Chg.

Market Sales table with columns: NYSE 3 p.m. volume, NYSE prev. day's close, etc.

NYSE Index table with columns: High, Low, Close, Today's P.M.

Wednesday's NYSE 3 p.m. Via The Associated Press

AMEX Diary table with columns: Class, Prev.

NASDAQ Index table with columns: Prev. Today's High, etc.

AMEX Most Actives table with columns: Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns: Bond, Prev. Close, Today's High, etc.

NYSE Diary table with columns: Class, Prev.

Odd-Lot Trading in N.Y. table with columns: Buy, Sell, % of 100

Dow Jones Averages table with columns: Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns: High, Low, Close, Today's P.M.

Previous NASDAQ Diary table with columns: Class, Prev.

AMEX Stock Index table with columns: High, Previous Low, Close, Today's P.M.

12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3 P.M. Quot. Chg.

Main stock market listing table with columns: 12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3 P.M. Quot. Chg.

Shares End Higher in New York

NEW YORK — Share prices ended mostly higher in moderate trading Wednesday on the New York Stock Exchange. The Dow Jones industrial average finished up 2.67, to 1,808.35, and advances narrowly led declines by a margin of 768-723 among the issues traded.

To Our Readers

Closing NYSE prices were not available in this edition because of technical problems. After the Organization of Petroleum Exporting Countries reached a production-sharing agreement Tuesday, some oil issues were showing gains.

12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3 P.M. Quot. Chg.

Continuation of main stock market listing table.

12 Month High Low Stock Div. Yld. PE 52 Wk High Low 3 P.M. Quot. Chg.

Continuation of main stock market listing table.

Robot submersibles... designed and built by Ametek. Includes image of a submersible and AMETEK logo.

Continuation of main stock market listing table.

Handwritten note: Daily... 10/23/86



Hong Kong: A Delicate Balance

IN THE NEWS

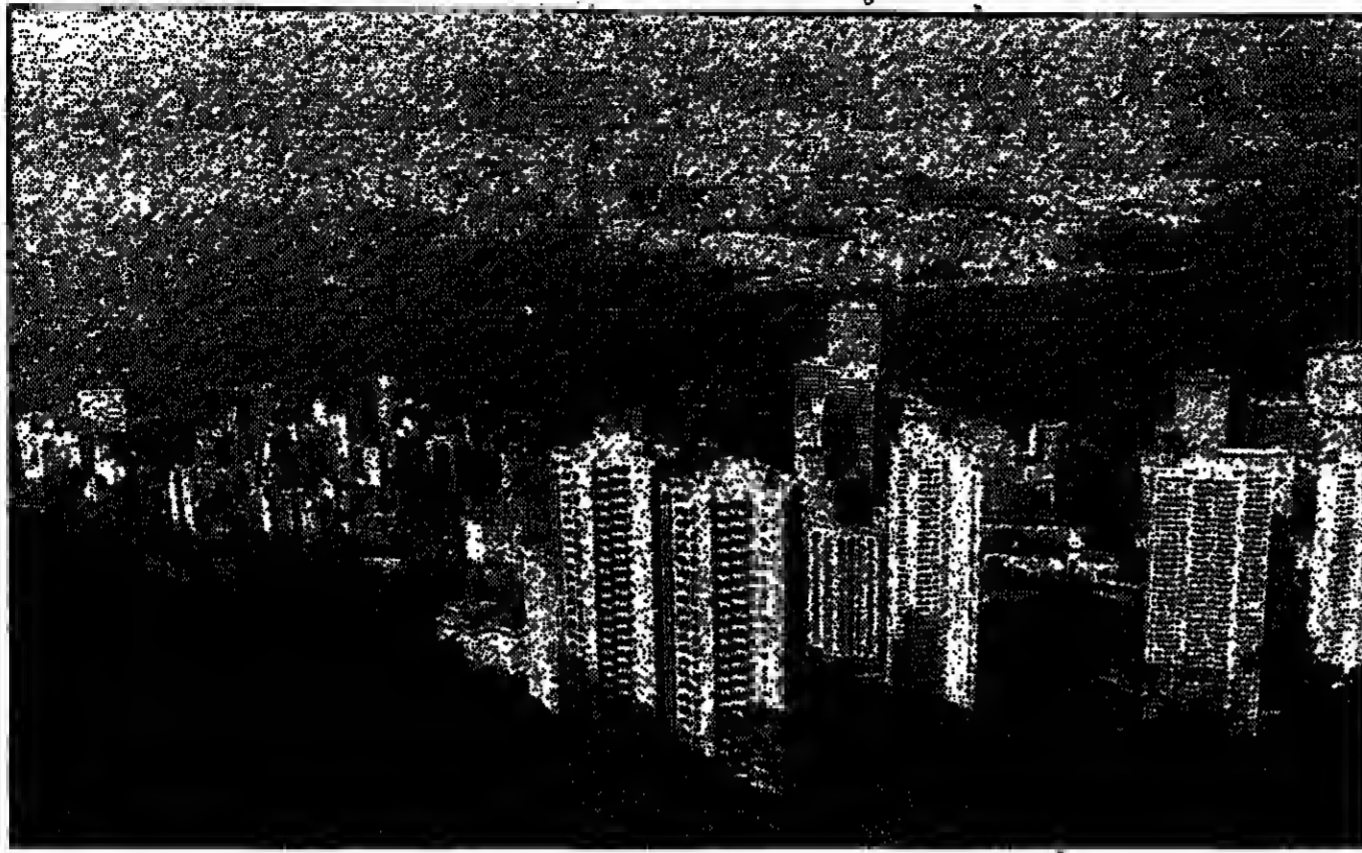
April 21, 1984: U.K. Agrees to Transfer of Sovereignty
British Foreign Secretary Sir Geoffrey Howe declares that Britain would relinquish sovereignty and administrative powers over Hong Kong to China in 1997, when the British lease on the colony expires. The announcement marks the first official statement on the future of the territory.

Dec. 19, 1984: Thatcher Signs Accord With China
British Prime Minister Margaret Thatcher signs the Chinese-British accord in Beijing on the future of Hong Kong following two years of negotiations. In the accord, Britain pledges to give up all claims over the territory by 1997, while the Chinese agree to permit the territory to retain its separate economic and social systems, and enjoy a high degree of administrative autonomy for at least 50 years after the British departure.

June 1985: China Appoints Constitutional Committee
Beijing appoints a 59-member Basic Law Drafting Committee to prepare a constitution for the special administrative region of Hong Kong after China assumes sovereignty. The draft is to be published for comment in 1988, with a final version to be promulgated in 1990.

Sept. 26, 1985: Vote Held for Legislative Council
Hong Kong holds the first elections to its 4-member Legislative Council, formerly composed of appointed officials. Members of the colony's top law-making body are elected for a three-year term by less than percent of Hong Kong's population.

Oct. 21, 1986: Queen Starts Visit to Colony
Following her trip to China, Queen Elizabeth II receives a lavish welcome in Hong Kong and indicates her strong support of the British-Chinese accord that hands the colony back to China in 1997.



Skyscrapers lining Victoria Harbor on Hong Kong Island.

Exports Recover on Currency Slide

By Eric Ellis

HONG KONG—Although not a party to the Group of Five meetings of leading Western finance ministers in New York last year, Finance Secretary Piers Jacobs can thank his five counterparts for a reasonably trouble-free transition to his new post in June.

While still faced with a measure of political uncertainty, Hong Kong's emergence from last year's near recession is traceable chiefly to the

decision of the Group of Five to check the dominance of the U.S. dollar among world currencies, an effort the industrialized nations accomplished more than adequately.

Given the Hong Kong dollar's link to the U.S. currency, the territory is now enjoying a strong export-driven recovery, the force of which has surprised many local analysts.

During a recent address to the Hong Kong Society of Securities Analysts, Mr. Jacobs upgraded his official economic growth forecast from 4.5 percent to 5.6 percent. Since then, many of the investment houses represented in his audience have issued forecasts of their own in the 7-percent to 8-percent range.

"The reversal is pure Hong Kong," said a local bank economist. "Exporters were given an opportunity with the fall of the currency, and

they didn't waste any time making the most of it."

Indeed, if current forecasts prove accurate, the economy will have come full circle since 1984, when gross domestic product rose 9.3 percent, a figure that plummeted to 0.8 percent last year.

An emerging factor is the importance of foreign investment in Hong Kong, especially Japanese and American. These foreign investors want to use Hong Kong to get a foothold on the mainland. Also, according to local economists, some companies that had gone into China, only to find the operating climate there unpropitious, are retreating to Hong Kong.

Ironically, as the territory begins to make the

Continued on page 12

Colony's Quest For Confidence Shadows Upturn

By Patrick L. Smith

HONG KONG—Two years after Britain and China agreed on Hong Kong's transition to Chinese sovereignty, it would be easy to believe that this bustling territory is now enjoying a renewed sense of self-confidence and a secure vision of its own future.

The local stock market has reached a succession of record highs in recent weeks, property prices are rising and economic forecasts, as in many previous years, have been routinely revised upward.

And as Queen Elizabeth's tour of China clearly demonstrated, both London and Beijing are eager to advance their 1984 accord as the successful conclusion to a prolonged and difficult diplomatic problem.

But beneath the outward signs of certainty lies a degree of doubt that has not significantly declined since Britain first raised the Hong Kong question in 1982. What has emerged here in the past year is only a grim acceptance of a political future that is essentially without guarantees.

Confidence, the precious commodity that all sides have sought to preserve in Hong Kong, is increasingly recognized locally as a matter of the emperor's new suit of clothes; Many claim it is there, but no one actually sees it.

"Too many people in positions of influence are adopting the same attitude," said Martin C.M. Lee, who is among the

PATRICK L. SMITH is a Hong Kong-based financial journalist who is a regular contributor to The International Herald Tribune.

most outspoken members of the law-making Legislative Council. "Too many people say publicly that things are OK, while privately believing there is no future."

Chinese officials and many local political analysts assert that China is still unsure of how Hong Kong should be governed after 1997, when Britain's colonial leases expire. But Beijing has bluntly demonstrated that its "one-country, two-systems" formula, which it would eventually like to extend to Taiwan, is far from open-ended.

Following the territory's first Legislative Council elections a year ago, for instance, senior Beijing officials began warning of "unnecessary chaos," as one said, if local political reforms were too extensive. Those elections were intended as a first step in preparing Hong Kong for 50 years of self-rule under Chinese sovereignty, as stipulated in the Chinese-British agreement.

Similar statements accompanied local debates several months ago as to whether political parties should be permitted to develop in Hong Kong. Until recently, Beijing had refused to recognize the legitimacy of the Legislative Council, despite — or because of — the central place it is to occupy in 11 years' time.

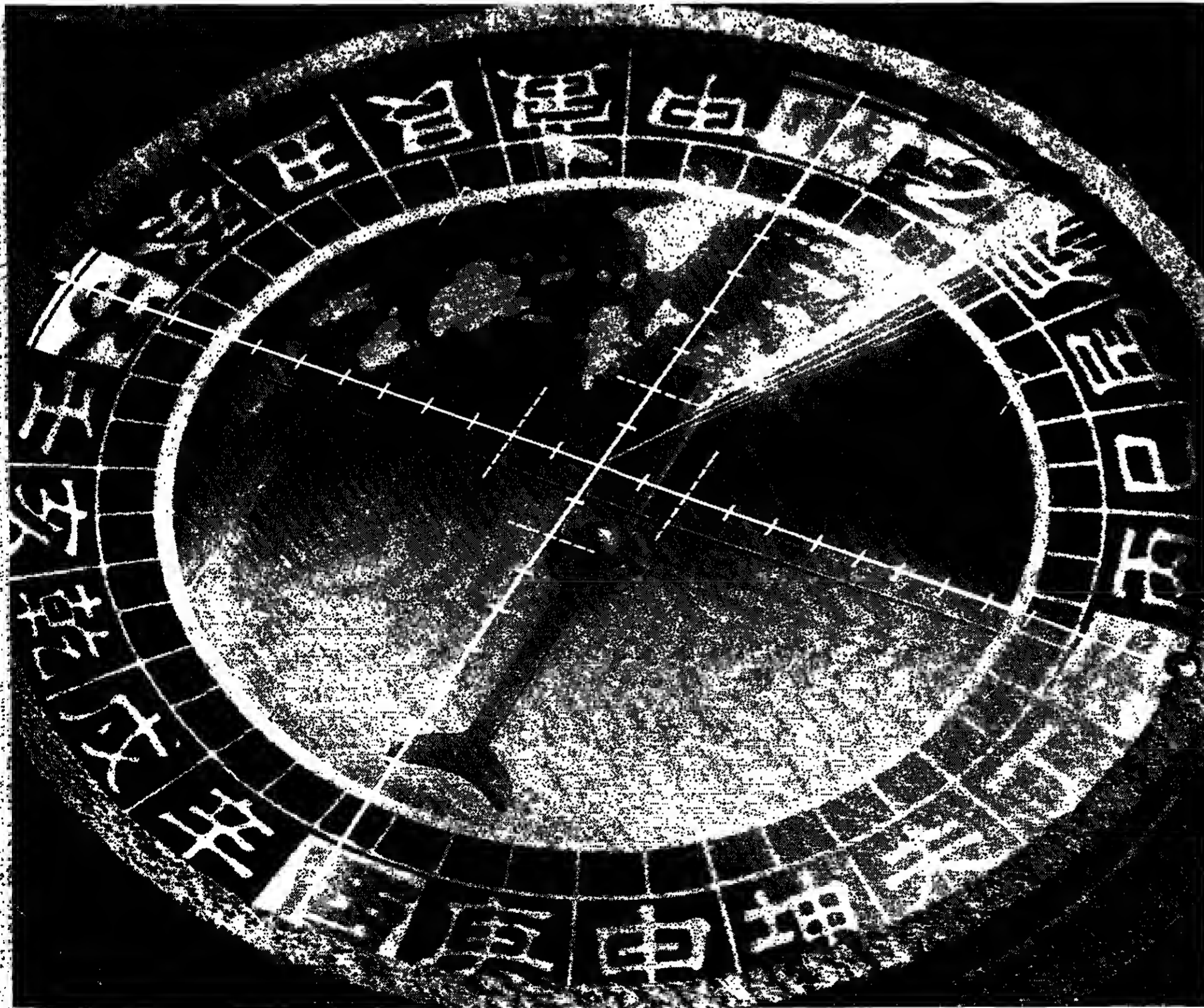
The council now consists of 24 indirectly elected members and 32 appointed by the governor. It is to be a fully elected body by 1997, although the extent of the electoral franchise is not specified in the Chinese-British pact.

While the agreement assures Hong Kong of "a high degree of autonomy" under an elected government, it has become clear this year that Beijing is anxious to keep political reform to a minimum.

The lesson that China has learned in

Continued on page 10

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Economic Hopes ■ Political Fears

Banks Looking Fitter As Loan Volume Rises

By Robert Cottrell

HONG KONG — When arrangements were made for Queen Elizabeth's brief visit to Hong Kong this week, one engagement was scheduled without debate or hesitation: at 11:35 Tuesday morning, as the official schedule indicated, the queen would "visit the Hongkong Bank building for a panoramic view of Hong Kong."

Michael Sandberg was a year away from settling into the chairman's seat at the Hongkong and Shanghai Banking Corp. when the queen last came to Hong Kong in 1975. Now he is retiring.

With Mr. Sandberg, 58, will go a style of banking that has brought more than its share of risks and rewards: a clever, intuitive, entrepreneurial style. His successor, William Purvis, is, by contrast, a more cautious and conservative executive. Colleagues say his main interest lies in the nuts and bolts of lending.

But what the queen may not have seen from atop the bank's new headquarters, which was built during Mr. Sandberg's tenure at a cost of \$700 million, is clearly visible to a banker's practiced eye. Hong Kong looks a great deal better now as a credit risk than it has during the past four years.

"The economy has recently been showing extraordinary buoyancy," said George Cardona, a Hongkong Bank spokesman. "It is export-led growth, and this has been reflected in export-related loan demand."

The internal shocks to Hong Kong's banking system that started with the collapse of Hang Lung Bank in 1983 have now largely worked their way through the sector. The most recent banks to require government support, Union and Hong Nin, were so small as to have negligible effect on sentiment.

The surviving banks are looking fitter as their customers, by and large, return to health. Most big Hong Kong property borrowers are now generating more than enough to service their debts, and even seemingly hopeless casualties of the 1982-1984 bust, such as Trafalgar Housing, have found ways to shed assets, restructure loans and pronounce themselves back in business.

The bankers' biggest former nightmare, Hongkong Land Company, has halved its debt to a manageable 7 billion Hong Kong dollars (\$897 million) in two years.

The shipping sector is still in deep trouble, but the worst is past, and bankers are at least grateful that the crisis was postponed until the property crash had been contained. Of Hong Kong's three biggest fleets, the World-Wide Group of Sir Y.K. Pao foresaw the recession and came through unscathed. The Tung family's Orient Overseas group and the Chao family's Wah Kwong group have been forced to seek debt restructurings from their bankers. The Tungs were the more warmly received.

While the assets of Hong Kong banks may not always have been of the highest quality in the early 1980s, loan officers will at least remember how easy it was then to put on new business. No local bank, by contrast, increased its loans as fast as its deposits last year.

Hongkong Bank, for instance, reported an increase of 17.4 percent in its lending, compared with a 20-percent rise in deposits. For Hang Seng Bank, the figures were 8.2 percent and 17.8 percent; for the Bank of East Asia, 13.5 percent and 31.4 percent.

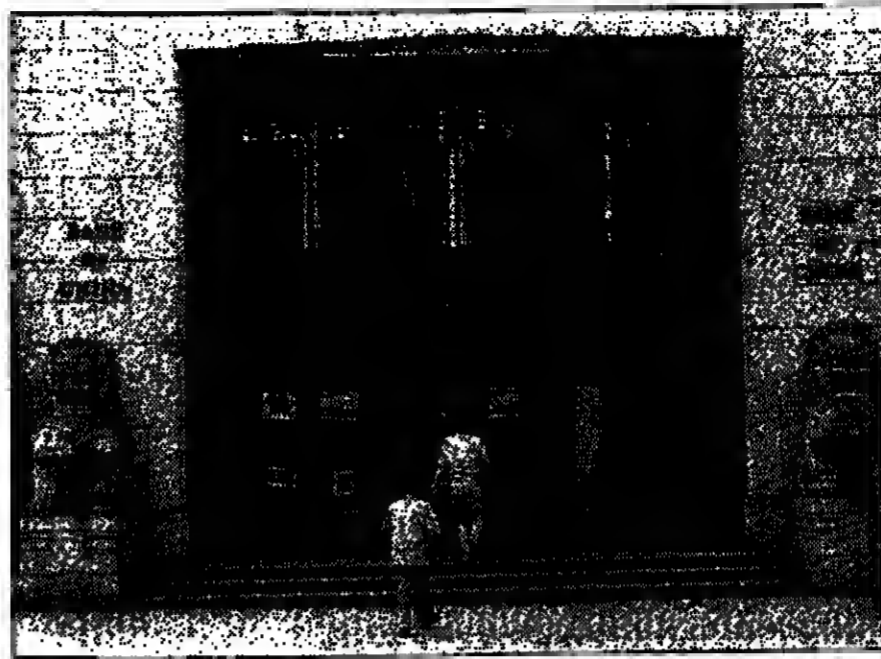
The Beijing-controlled Nanyang Bank was closer to balance, with loans up 27.9 percent and deposits up 28.9 percent.

This year, local bankers indicate, export-related loan demand has picked up markedly since August. The 13-member Bank of China "family" of banks has been particularly busy adding assets over the past year, especially in small-company lending, residential property and trade finance.

The rise in the loans-to-deposits ratio means that banks have to work harder for profits. However, it should at least make local bankers worry less about the introduction of money-market funds to the territory, threatening for the first time in 20 years the stability of the interest-rate cartel that ensures that Hong Kong dollar depositors are offered the same agreed rates by all banks.

Money-market funds, which pool investors' deposits into large-denomination money-market instruments, were approved by Hong Kong's banking commissioner in June. The funds can generally offer investors a higher yield than deposit accounts although with the risk that the capital value of their deposit may rise or fall.

The banks evidently feel that the funds could attract away depositors' money since, having failed to prevent their approval, many banks now offer money-market funds of their own. For the time being, the banks can afford to lose a few deposits without raising their



The 13-member Bank of China 'family' has been busy adding assets.

rates. But in time, the competition may become more entrenched, and banks may be forced to adjust to a significantly higher cost of funds.

The effect will be felt most by the retail operations of those banks, such as Hongkong Bank, Hang Seng and Bank of East Asia, that have a traditionally strong local deposit base and are able to make easy profits from lending to the interbank market.

Bankers indicate that the funds have so far attracted about 160 million Hong Kong dollars, which would make them collectively equal to one of the smallest local banks in deposit terms.

The arrival of the money-market funds is one more reminder that commercial banks in general are still fighting a losing battle against the growing preference of depositors and lenders alike to channel funds to one another through the securities markets rather than through the intermediation of banks.

The most complete triumph of "securitization" is one of particular importance to Hong Kong — international syndicated lending. Hong Kong acquired its reputation as an international financial center in the 1970s largely by serving as home base to the bankers who pitched for sovereign loan mandates throughout the Far East.

The volume of syndicated lending worldwide has dropped by two-thirds since 1982, and most of what remains is refinancing of existing debt rather than any new business.

Countries that want to borrow nowadays pay for on notes, not spreads on loans, and do their business in London. Those who still borrow straight have tended to do more of it to yen since Japan abolished its final monetary barriers in 1984, a factor that has helped make the Japanese banks the fastest-growing national group within Hong Kong this year.

Hong Kong banks dislike securitization less than they might, since there is no Glass-Steagall Act to keep them out of the securities market. (The Glass-Steagall Act does not permit banks to sell securities in the United States.) The Hongkong Bank came closer to globalizing its financial services this year by buying 100 percent of the British stockbroker James Capel and partly integrating it with its merchant-banking subsidiary.

Wardley, its main rival, Jardine Fleming, and the local offices of U.S. money-center banks have provided the main thrust behind the expansion of a locally based Hong Kong dollar capital market, fueled by issues from big borrowers, including the Hongkong Land Company and the government-controlled Mass Transit Railway Corporation.

ROBERT COTTRELL, a journalist based in Hong Kong specializing in Asian economic topics, is a former regional finance correspondent for The Far Eastern Economic Review.

Real 'Party Politics' Still Appear Unlikely

The Chinese Communist Party is unhappy at the prospect of an open challenge.

By Patrick L. Smith

HONG KONG — In the months following the conclusion of the Chinese-British accord on Hong Kong's future, the territory was abuzz with new political groups, many of which intended to transform themselves into Hong Kong's first political parties.

Their names alone were telling: the Progressive Hong Kong Society, Meeting Point, the Hong Kong Association for Democracy and People's Livelihood. Their platforms differed little; all of these "pressure groups," as they are termed locally, signaled hopes that some modest form of democracy was about to arrive on Hong Kong's doorstep.

But now, the two dozen or so groups that harbored higher ambitions are unlikely to advance much beyond their current status as loose-knit associations with little local political clout, according to political analysts and would-be politicians themselves.

So far, at least, political parties appear to be the most tangible casualties of the heavy-handed political approach that China has adopted toward Hong Kong for much of this year.

"The belief was that the source of political power in Hong Kong would be the people who live here," said Allen Lee, a Legislative Council member who publicly dropped plans to launch a party earlier this year. "That's wishful thinking these days."

Mr. Lee's decision, and others made more quietly, came amid repeated hints from Beijing that it opposed the advent of "party politics" in Hong Kong. In June, the deputy director of Beijing's Hong Kong and Macao Affairs Office, Li Hou, suggested that the Chinese Communist Party would be open to active here if parties were to develop.

A senior official of the same agency said several weeks later that Beijing would consider legally banning party activities after 1997, when China is to assume sovereignty over the territory.

The motives ascribed to China's actions are various. Clearly, the Communist Party is unhappy at the prospect of an open challenge to its ideological supremacy on Chinese soil. Nor does Beijing want a politically diverse region under Chinese control to spark demands for autonomy elsewhere in China.

British officials have also suggested that among China's most serious concerns is the activation of the Kuomintang, or Nationalist Party, to an environment where parties are permitted to operate openly.

Although the Kuomintang has generally supported its own candidates in district elections here, it has not been a visible force in Hong Kong since the Communist victory on the mainland in 1949.

However China's concerns are ranked, the pressure it has exerted this year will be felt most directly in the Legislative Council. The virtual ban that has been placed on political parties, analysts say, will ensure that the council's future members, whether elected or not, will not coalesce into influential power poles.

Once this is assured, some council members believe, China may prove more flexible on the issue of elections and may tolerate some form of modest, issue-oriented political organization in the territory.

Although the Chinese Communists have maintained a small presence in Hong Kong since the party was founded in 1921, it has grown rapidly in recent years, in part reflecting the arrival of numerous party cadres to run the mainland's expanding state enterprises.

But the party, which now has an estimated 4,000 or more members here, has also actively cultivated the friendship of community leaders, sought to recruit locally and offered quiet support to candidates in local elections.

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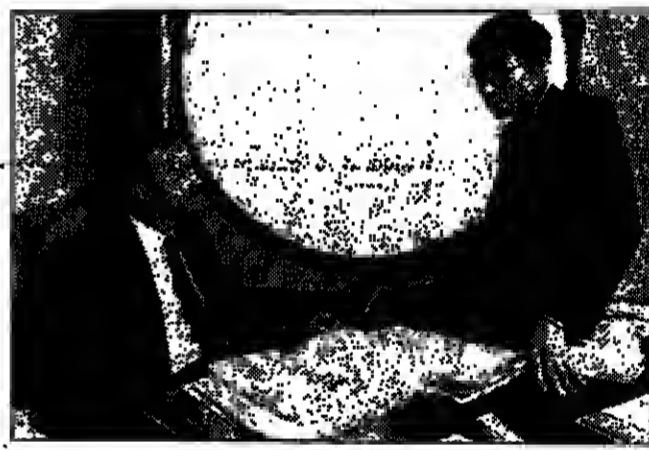
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Chinese Merchant Banks Are Expanding Presence

HONG KONG — China's higher profile in the Hong Kong financial scene is scarcely limited to the retail banking sector. China also has five merchant banking operations here, including a much-expanded branch of the China International Trust and Investment Corp., or CITIC, which was founded seven years ago in Beijing to funnel foreign investment and technology into modernization projects on the mainland.

While these institutions are currently minor players in the Hong Kong market, many established investment banks expect to be competing with them well before Beijing assumes political control over the territory 11 years from now. They are also viewed as an indication of the growing importance that Chinese enterprises place on Hong Kong as a funding center.

The most recent addition to China's Hong Kong merchant banking family arrived in June, when CITIC took over Ka Wah Bank, an ailing local institution with a relatively inactive finance subsidiary that concentrated on the local mortgage market.



R.B. Gray, left, and Song Yihan of China Investment.

But more typical of the mainland's investment banking activities in Hong Kong are its two joint ventures. CCIC Finance Ltd., launched in 1980, is 40 percent owned by the Bank of China's Hong Kong branch and China Resources, a trading outlet for mainland products; the remaining 60 percent of CCIC is split between the First National Bank of Chicago and the Industrial Bank of Japan.

The other joint venture, China Investment and Finance Ltd., is an equal partnership between CITIC and the Royal Bank of Canada. The Western partners in both banks have long cultivated close ties with Beijing.

Both of these operations are small. And because they are aimed primarily at developing foreign investment in China, which has fallen by 20 percent

this year, growth is likely to be slower than it has been until now and the maturation process more difficult.

CCIC reported operating profits of 14.2 million Hong Kong dollars (\$1.82 million) last year, a gain of 33 percent, while China Investment, launched less than two years ago, earned about \$200,000 in the 12 months to Sept. 30, according to preliminary estimates.

But profits are only part of the picture. At this early stage, at least, one of China's principal goals is to use its Hong Kong ventures to train a corps of banking executives to meet the future needs of the mainland's financial system, which is being modernized.

"Certainly, CITIC can help the institution develop business," said Song Yihan, 32, the deputy managing director of China Investment. "But we also want to benefit from the experience of international banking."

Accordingly, China Investment will shortly be assigned its first two trainees from the mainland. CCIC has an established six-week program that "graduates" 25 Chinese merchant bankers at a time.

With assets of \$42 million, China Investment remains in a typical start-up phase. Its activities so far have been concentrated in loans, leasing and financial advisory work on the mainland.

CCIC, with loans and accounting for roughly half of its

1.8 billion Hong Kong dollars in assets, is somewhat further along the path to the capital market and other fee-related activities.

Although already active in the secondary securities market, it is now about to become a primary underwriter. Together with Wardley, the merchant bank's subsidiary of the Hongkong and Shanghai Banking Corp., CCIC will soon co-lead a U.S. dollar note issue and a commercial paper issue for China Resources.

"The strategy in place today is totally China-related," said George C. Berglund, a First Chicago executive who has headed CCIC for the past three years.

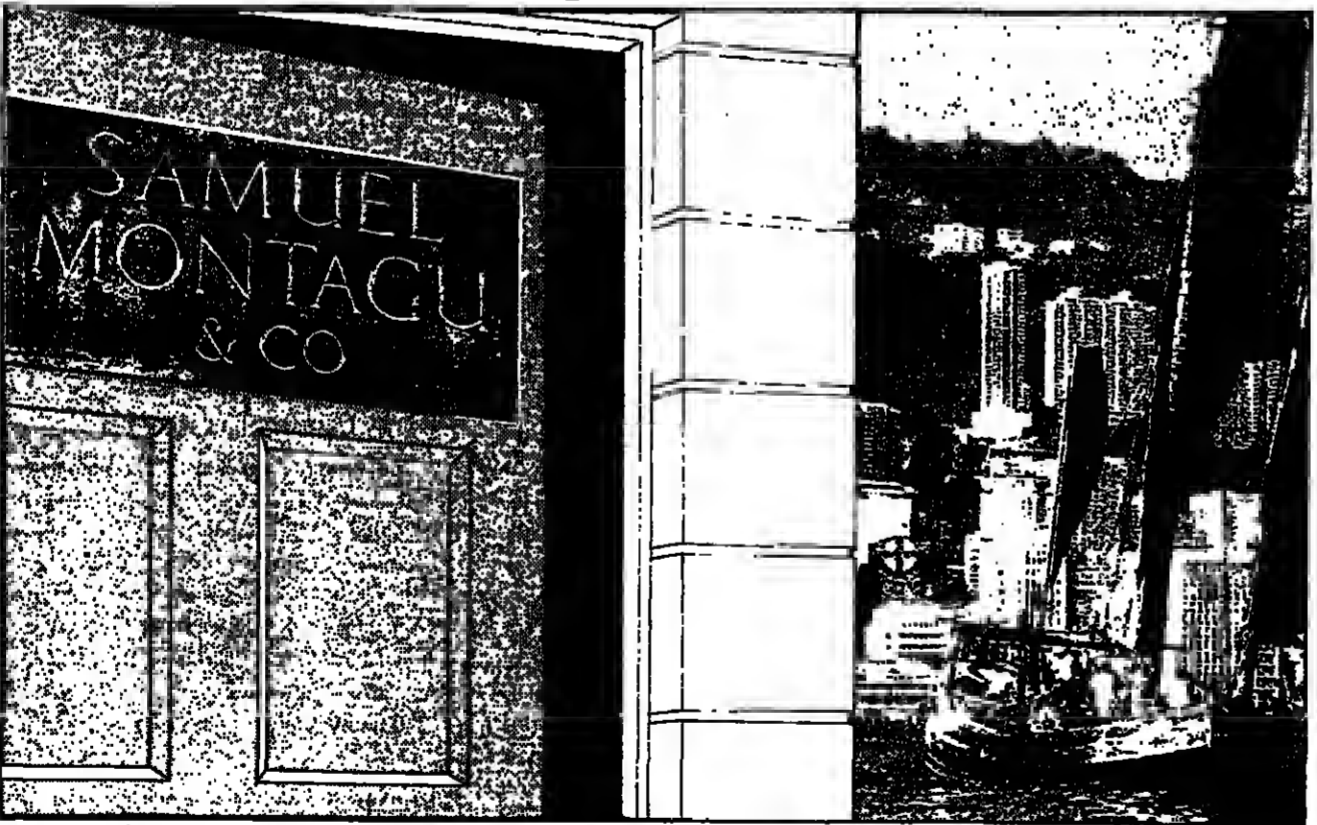
As China's presence in Hong Kong grows, many analysts are waiting to see just how various mainland institutions compete with one another. In particular, they note that both mainland partners in joint venture merchant banks, CITIC and the Bank of China, also have wholly owned merchant bank units.

But for the moment, at least, there appears to be more cooperation than competition. When CITIC took over Ka Wah, for instance, both CCIC and China Investment acted as financial advisors.

"We can't rely on our shareholders forever," said R.B. Gray, managing director of China Investment. "But the Ka Wah deal was a high point for us, both in terms of its complexity and the profile it gave us to the marketplace."

Patrick L. Smith

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Colony's Quest for Confidence

Continued from page 9

recent months, local analysts believe, is that greater delicacy will be required if it is to assume control here without disrupting the economy. But it is widely accepted that Beijing still wants to inherit a trading and financial center with few democratic institutions.

"There has been a gradual realization in China that it can't absorb Hong Kong without more knowledge and awareness of the place," said Peter Harris, a political scientist at Hong Kong University. "They're still moving in, but they no longer see it as a pushover."

As much as any of the shocks it has administered this year, what brought Beijing to this conclusion was the unexpected public outcry that erupted over a nuclear power plant that China intends to build at Daya Bay, a site in Guangdong province about 30 miles (50 kilometers) from the center of Hong Kong.

In the months following the Soviet nuclear accident at Chernobyl in April, anti-nuclear activists gathered close to a million signatures in support of a petition to cancel the project; public opinion polls indicated that more than 70 percent of Hong Kong's 5.6 million residents opposed the plant for safety-related reasons.

Not surprisingly, the Daya Bay issue was quickly accepted here as the first substantial test of Beijing's willingness to heed Hong Kong opinion. As such, it failed. Contracts for the project were signed with several French and British suppliers in September.

But many analysts view the political effects of the issue as positive. For one thing, it became the occasion on which Beijing received a delegation of Legislative Council members for the first time, although the significance of this gesture remains unclear.

Advocates of direct elections say the council was unresponsive to public opinion in voting against a special session on the Daya Bay issue before the signing of contracts. These same politicians have long asserted that direct polls, and the public mandate they bestow, are the only means by which Hong Kong will be able to resist any efforts by Beijing to interfere with local affairs after 1997.

"The priority is to keep our system separate from China's," said one council member. "And China can't uproot a system that draws its legitimacy from demonstrable popular support."

The formula most often mentioned in political circles now calls for a 25-percent share of directly elected seats in 1988, with 50 percent subject to indirect elections and the remaining 25 percent to be appointed. Last week, a newly formed group of local political leaders called for a post-1997 legislature in which half of the seats would be subject to popular elections.

Although the administration has not yet attempted to measure the extent of public support for direct elections, many local analysts believe it is growing. The issue is to be determined in an interim political review that Britain is to conduct next year.

It is not yet clear how Britain will handle the question of elections, despite the urgency some local politicians attach to them. British officials assert that China can be made to accept more extensive political reforms, pro-

vided they are introduced slowly and do not disrupt the territory's stability.

But in urging this gradual approach, Britain has aroused widespread suspicions in Hong Kong that it is prone to pressure exerted privately by Beijing. During a recent visit, the foreign minister, Sir Geoffrey Howe, warned that political reforms here would have to conform to a constitution, or Basic Law, that China is expected to make public by 1990.

The election issue has already developed into a potential point of conflict in the committee drafting the Basic Law, which is composed of Chinese officials and Hong Kong residents.

The theme of "convergence," first sounded a year ago, has convinced many local political analysts that the current Hong Kong administration is little more than a "jams duck." This impression was furthered during the queen's recent visit to China when much emphasis was placed on bilateral trade between Britain and the mainland.

Despite the current health of the economy, the signs of declining local confidence are equally evident. Emigration, concentrated in the professional and business elites, is unhalted but steady; earlier this year, a British securities firm estimated that Hong Kong residents were putting a minimum of \$3 billion yearly into foreign assets.

What is beginning to emerge in Hong Kong is an economy that will be powered less by local capital and more by foreign investors, who are relatively immune to the sovereignty question and view the territory just as Beijing does: as a commercial gateway to the mainland, and no more.

Financial Expansion

Young Capital Market Faces Growing Pains

By Patrick L. Smith

HONG KONG—It has been a year of extraordinary growth in Hong Kong's relatively young capital market. Driven chiefly by low interest rates, new issues of certificates of deposit, which emerged as popular instruments here only 18 months ago, have totaled 100 since then, worth about 21 billion Hong Kong dollars.

Few bankers can draw as much satisfaction from such expansion as Patrick K. Thomas. As managing director of Manufacturers Hanover Asia Ltd., a merchant banking subsidiary of the fourth largest bank in the United States, Mr. Thomas has been among the handful of investment bankers who have sought to develop the market as well as profit from it.

Virtually nonexistent two years ago, the market for Hong Kong dollar CDs now ranks 10th on a global basis—well behind the U.S. dollar, yen, Deutsche mark and sterling markets, but ahead of those denominated in French francs and Dutch guilders. This includes commercial paper issues valued at 13.5 billion Hong Kong dollars (\$1.73 billion) in the 1985-1986 period.

But despite the market's steady expansion, Mr. Thomas believes it now faces the first substantial tests of its maturity: whether its investor base can be expanded and whether it can survive in an environment of uncertain interest rates. "Until now, it has been easy, because interest rates were moving in everyone's favor," Mr. Thomas said. "We've never had to live through a bear market."

Manufacturers Hanover has lead managed 19 of the 61 CDs issued so far this year and co-managed 14 more, making it the territory's premier market maker. The bank's closest competitors are Paribas, Citicorp, Indosuez and Wardley, the merchant banking unit of the Hongkong and Shanghai Banking Corp.

But the immediate source of Mr. Thomas's anxiety is the outlook for short-term rates, to which the Hong Kong market is unusually sensitive.

With more than \$1 billion worth of local CDs funded in the short-term interbank market, any dramatic rise in rates could prompt a wave of selling that would flood the local market and damage the confidence that Mr. Thomas and his colleagues have cultivated.

The market's vulnerability to interest rate movements, however, is only symptomatic of a more fundamental weakness. While the primary market for debt issues sprung



Patrick K. Thomas

to life virtually overnight, the secondary market, in which such issues are traded among investors, has failed to develop.

A year ago, Mr. Thomas pointed out, there were 12 institutions in Hong Kong underwriting locally denominated CDs. Now there are 80, and the disproportionate share of certificates they hold—about half, with other banks holding an additional 20 percent—has put the market in "a potentially fragile state," he said.

"The volume of paper has grown terrifically, but the investor base isn't expanding," Mr. Thomas added. "The biggest problem this market has is that so much paper is held by the underwriters themselves."

Mr. Thomas, who arrived from the London office of Manufacturers Hanover in 1983, has spent much of the past year seeking ways to remedy this. He was a prime mover earlier this year in introducing money-market funds denominated in Hong Kong dollars, which he views as one key to diversifying the capital market's base by opening it to smaller investors.

In August, Mr. Thomas became vice chairman of a newly

instituted capital market association, which aims to develop a regulatory framework conducive to the market's future growth.

It plans to propose an amendment to Hong Kong's tax laws that would allow corporate investors to trade debt instruments without paying a standard 17.5-percent profits tax. At present, only individuals and financial institutions enjoy such an exemption.

Mr. Thomas acknowledged that his bank's syndication business, like that of his competitors, was drying up when the local CD market began to develop. But it was almost by accident that Manufacturers Hanover got into the about-to-boom fixed-rate market, he said.

"We were invited into an issue and accepted only for relationship reasons," he recalled. "Then the trading desk suddenly found the paper flying out the window."

Once it decided to develop its position, Manufacturers Hanover adapted only those Euromarket techniques that it judged acceptable to a wide variety of investors. One is a "deferred swap," which enabled the bank to price issues one-eighth percent below those of competitors.

"It's a mistake to call this market primitive," Mr. Thomas asserted. "But too much innovation will steer the market away from end-users."

If anything, Mr. Thomas made his entry into banking with even less forethought than Manufacturers Hanover applied in getting into the fixed-rate market. After receiving a law degree in Britain, he concentrated on clients in the oil industry before joining Manufacturers Hanover in 1978.

"I needed a home loan at a preferential rate," Mr. Thomas said of the switch. He spent five years in the bank's London office, with responsibility for its syndication business in France, before arriving in Asia.

The chief catalyst in the Hong Kong market has been the desire of borrowers to exchange floating-rate debt for fixed-rate securities, to lock in interest burdens at a lower level. But with a decline in swap-related issues apparent, Mr. Thomas is now concentrating on the repackaging of previously issued CDs by selling certificates to foreign banks, which issue more tradable CDs to finance the transaction.

In the past year, the bank has recycled about 600 million Hong Kong dollars worth of instruments using this technique, which is known as a coupon swap.

"The point is not just to take less tradable paper out of the market," Mr. Thomas explained. "It's also intended to keep the market going."



Trading activity on the floor of the Hong Kong bourse.

Stock Exchange Gains A New Sense of Maturity

By Eric Ellis

HONG KONG—By almost any measure, it has been an exceptional year for equity trading in Hong Kong. In terms of both operations and the increasing "internationalization" of investors, 1986 appears to mark the Hong Kong stock market's coming of age.

In part reflecting the growing influence of foreign institutional buyers in Hong Kong, the widely followed Hang Seng index has set records in recent weeks. On Tuesday, it closed at 2,238.29, a gain of 26 percent from the beginning of the year, and nearly double its level when the Chinese-British declaration on Hong Kong was signed in December 1984.

In addition, daily turnover has nearly doubled during the current bull run, to an average of 550 million Hong Kong dollars (\$70.5 million). Trading on Sept. 29 was a record 868 million Hong Kong dollars, reflecting enthusiasm partly fueled in a spate of new issues this year.

For many brokers and analysts, the unification of Hong Kong's four separate stock exchanges, and the relocation of the new market at Exchange Square in the territory's Central district, symbolizes the share market's new sense of legitimacy.

"There is a new maturity in the exchange and a new professionalism among its members," said James Miller-Day, research director of County Asia Securities, a member of the National Westminster Bank group. "You only have to glance at the tenant's directory in Exchange Square to see there are some big players in this market."

Computerized trading and a teletext system have now replaced manually operated wallboards and contract slips; the open outcry system, long outmoded on most other exchanges, is now also a thing of the past in Hong Kong.

Hong Kong has also completed the lengthy process of updating the market's regulatory framework. Once limited to individuals, membership is now open to banks, corporations and institutions.

Listing requirements and disclosure rules have been tightened, and official monitoring of the market, through the office of the commissioner for securities and commodities trading, has been intensified.

"We have got a little tougher," said Derek Murphy, the deputy securities commissioner. "But we had to if we were to be taken seriously in the international arena."

The market has also been boosted by the initiation earlier this year of a futures contract based on the Hang Seng index, which enables investors to hedge shareholdings against the broader movement of the market.

Earlier this month the Hong Kong Futures Exchange announced that volume in the Hang Seng contract, at 8,792 contracts on Oct. 2, set a world record outside the United States.

As another mark of the market's maturity, the Stock Exchange of Hong Kong has submitted a proposal to the securities commission for an over-the-counter market that would list mainly small and medium-sized industrial companies capitalized at less than the 50 million Hong Kong dollars required by the unified exchange.

Many local analysts continue to assert, however, that regulatory shortcomings inhibit overseas investors in many sectors of the market even as it is now constituted. They say that it is still too difficult under current disclosure rules to gain a realistic indication of who owns a given company.

Nonetheless, it is the dramatically increased activity of foreign buyers, chiefly in blue chip stocks, that has fueled this year's market. In part, this reflects a loss of momentum in many of the European markets that had previously attracted institutional money; it also suggests that analysts are less concerned now with a further drop in the value of the U.S. dollar, to which the local currency is pegged.

Even at current trading levels, analysts note, the Hong Kong market is still attractively priced relative to, say, Tokyo. Prospective price-earnings multiples for the wider market average 11 to 13 for 1987; yields are averaging 3.5 percent to 4 percent overall.

The most international interest has centered on the utility sector. Popular international choices include Hong Kong Telephone, China Light and Power, Hong Kong Electric and China Gas. All of these issues boast profit growth that is consistently in the 15-percent to 20-percent range and trade on multiples of 14 to 15.

The banking and property sectors, traditional staples of the Hong Kong market, have surged, lagged and now seem to be surging again—another sign of overall confidence, at least in the short term, in this property-based market.

Many U.S. funds have re-rated the market's premier stock, Hongkong and Shanghai Bank, as one of the world's cheapest banking stocks. The shares are trading at 10 times prospective earnings and yielding 6 percent.

While the defeat of protectionist trade legislation in the United States earlier this year has buoyed Hong Kong's manufacturers, many analysts continue to view the threat of protectionism as a long-term weakness for the textile and light industrial sectors.

Not surprisingly, the healthy market has spurred a dozen new issues this year, including the three largest in the Hong Kong market's history. The biggest was the floating in May of Cathay Pacific Airways. It attracted \$6.3 billion in funds, making the issue oversubscribed by 35 times and putting a short-term squeeze on the local dollar's liquidity.

Local investors, typically, remain wiser of the future than overseas institutions.

"If the overall market is concerned about 1997, it doesn't show," said Carlton L. Poon, research director at Vickers Da Costa. "In fact, it shows signs of becoming immune to the political factor."

Trade Outlook

Exports Are Rebounding

By Brian Jeffries

HONG KONG—Despite the uncertain trade outlook that Hong Kong faced last year, when exports to all of its main markets plummeted, the territory's trade is now rebounding faster than most analysts anticipated only a few months ago.

The principal factor behind this recovery is the continuing weakness of the U.S. dollar, to which the local currency is linked. In almost all markets where currencies have gained against the dollar, this has renewed the attractiveness of the territory's manufactured products.

The medium-term outlook appears even more promising. "There's a lot of underlying strength," said James D. McGregor, director of the Hong Kong General Chamber of Commerce. "I can't see anything to suggest we will have a particularly difficult time over the next 12 months."

The resurgence of Hong Kong's trade has occurred despite three major adverse factors: a continuing decline in business with China, due to the foreign exchange controls imposed by Beijing last year, and the weakness of the U.S. economy.

Although the United States remains by far the most important outlet for Hong Kong's exports, some of the slack left this year has been taken up by European nations whose currencies have strengthened against the dollar. Exports to West Germany, aided not only by the rising Deutsche mark but an expanding economy as well, were up by almost a third in this year's first half, to 4.57 billion Hong Kong dollars (\$785 million).

It is evident, however, that Hong Kong is not gaining similar benefits from the U.S. dollar's weakness against the yen. Exports by other countries in the region whose currencies are also linked to the dollar, notably South Korea and Taiwan, are increasing at a much faster pace. South Korea and Taiwan are showing export growth of more than 20 percent, compared with growth in Hong Kong's exports of 6 percent in the first half of 1986.

While the strength of the yen has pushed up Hong Kong's exports to Japan by 16 percent in the first half, Japan itself remains too small a market to have much impact on the territory's overall trade picture.

Nonetheless, many analysts believe that Hong Kong still has good prospects for satisfaction, at least relative to recent expectations. Reviewing the economy's performance in the first six months of this year, the financial secretary, Riers Jacobs, said the government was revising its forecast for export growth from 6 percent to 8 percent because of growth in all major markets except for China. Some

analysts are even predicting that export growth for the year will reach double digits.

This would be a certainty were it not for sluggish demand in the United States, which has taken about 40 percent of Hong Kong's domestic exports in recent years. In the first half of the year, they grew by 6 percent, to 27.8 billion Hong Kong dollars, compared with an original prediction of 10 percent. With no dramatic improvement expected in the U.S. economy for the rest of the year, the 1986 forecast has effectively been halved, to 5 percent.

Like other Asian nations anxious to take full advantage of worldwide currency shifts, Hong Kong has been devoting more effort to European markets. Apart from West Germany, exports to Britain are forecast to rise 12 percent this year.

Slowed demand in China is now the weakest link in Hong Kong's export chain. The mainland's foreign exchange constraints have already resulted in a 7-percent decline, to 7.3 billion Hong Kong dollars, in Hong Kong's sales for the first half.

Reflecting China's renewed emphasis on exports, however, mainland shipments through Hong Kong surged 35 percent in the first half. Economists suggest this will improve further as a result of the 15.8-percent devaluation of the renminbi declared by Beijing in July.

Local exporters are also displaying renewed confidence in Hong Kong's medium-term outlook. One sign of this is a 70-percent increase in retained imports of machinery in the second quarter of this year. Analysts believe this is partly due to the resolution of long-standing protectionist issues surrounding Hong Kong's textile and garment industries, which are the territory's leading exporters. In June, Hong Kong concluded a bilateral textile agreement with the United States that limits export growth to just over 1 percent.

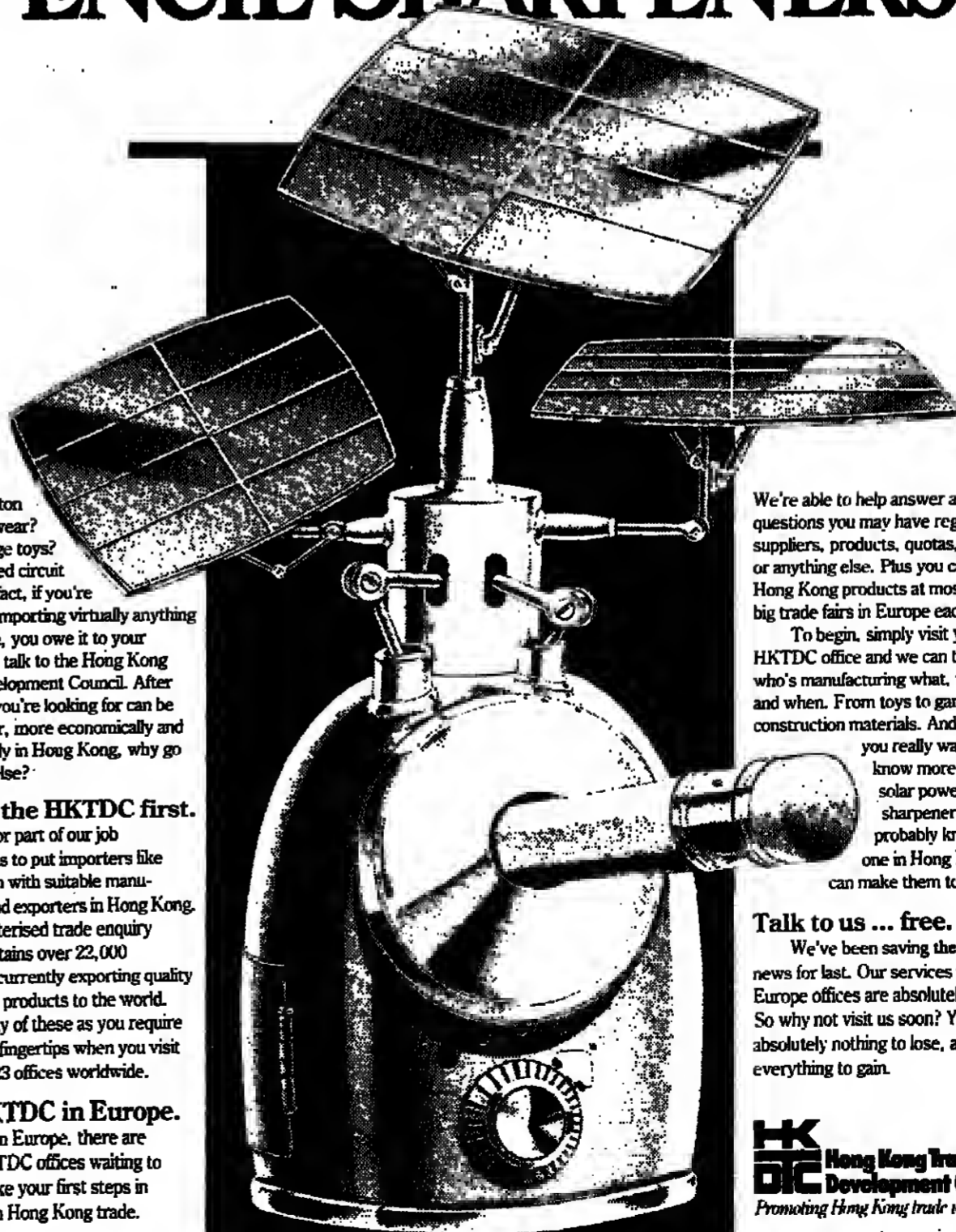
Hong Kong has still to conclude similar negotiations with the European Community under the multifiber arrangement, the pact under which producers and consumers set export quotas.

Equally important for trading confidence has been the clarification earlier this year of Hong Kong's long-term relationship with the General Agreement on Tariffs and Trade. Until now, Hong Kong had functioned autonomously under Britain's membership. Its status is being changed to that of a contracting party to the GATT up to and beyond 1997, when its sovereignty reverts to China.

BRIAN JEFFRIES, an editor at The Far Eastern Economic Review, has served as an Associated Press correspondent in Africa and the Middle East.

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Manufacturing Bows To Service Economy

By Guy Sacerdoti

HONG KONG — Along with South Korea, Taiwan and Singapore, Hong Kong's economic surge over the past 15 years has been most visible in the growth of its manufacturing exports.

Its ready work pool translated into cheap labor costs. A free trade policy allowed for inexpensive and readily available industrial inputs. Hong Kong Chinese employed devices to enhance managerial efficiency. And the opening of the China market in 1979, which brought to southern China new productive investments and trading capabilities, created what is now a \$14-billion annual "re-export" flow through Hong Kong. Hong Kong's domestic exports in 1985 were \$16.7 billion.

All contributed to the British territory's consistent position near the forefront of the region's leap into industrialization.

But now, local economists say, the Hong Kong economy has been forced into change by the growing and much larger economies surrounding it, by trade restrictions legislated in the United States and the European Community and by the increasing influence of its giant neighbor, China, which will assume sovereignty over the territory in 1997.

The efficiencies of Hong Kong's competitors in the regions and their larger economies are sapping some of the advantages of Hong Kong manufacturing. As employment in the expanding services industries grows, the labor pool is being drawn away from traditional manufacturing activities by the lure of better wages and more appealing work.

"In 10 or 20 years time," said C.K. Law, a senior research economist at the Hongkong and Shanghai Bank, "Hong Kong will be a very service-oriented economy, with manufacturing being done in southern China."

Indeed, investment in the Pearl River basin has become an attractive alternative to manufacturing in Hong Kong. Since China began its modernization drive in the late 1970s, local industrialists have invested \$2.3

billion in mainland ventures, according to official Chinese sources.

Rising costs in Hong Kong for labor, energy and space have been a major catalyst. During the Hong Kong property boom of the late 1970s and early 1980s, for instance, a number of long-established companies here closed to enter the building spree.

Machinery and equipment often found their way into southern China, and in some cases, entire factories were moved.

At the same time, China itself has slowed the migration process. In Shenzhen and Shu-hai, the two special economic zones closest to Hong Kong, some operating costs have risen to levels equal to, or in some cases higher than, costs in Hong Kong.

And for textile and garment producers, Hong Kong's international trade agreements, such as the multifiber arrangement, effectively guarantee minimum export levels, even though attention more often focuses on the limitations imposed on annual growth.

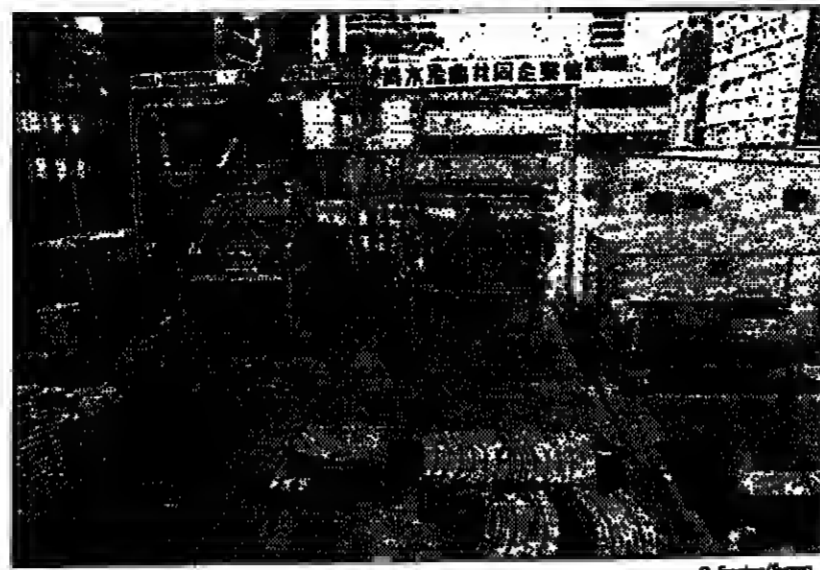
"It's going to take time for China to develop a skilled labor force, even for the assembly work now being done in Hong Kong," said an industry economist. "And manufacturers will maintain some operations here, if only to make sure they use up their quota allowances."

But China is not the only factor. Hong Kong lags behind its regional competitors in new product development, chiefly because manufacturers here remain wedded to short-term profit horizons and enjoy little of the government support extended to industry in, say, South Korea or Singapore.

This has been felt particularly in the electronics sector. Two years ago, industrialists vetoed a private-sector proposal to invest a small percentage of export revenues in research and development facilities.

Now the territory is losing out in a number of new product areas. Manufacturers here have not indicated any plans to enter the lucrative market for compact disc players, for instance, despite its acknowledged long-term potential.

Industry sources say local companies are



Workers are being lured from manufacturing to trade and services.

simply unwilling to make the required capital investment.

At a recent conference in Japan on business cooperation, Hong Kong's director of industry, K.Y. Young, said the government would help fund training programs for working technicians rather than devote funds to research and development.

But it is protectionism, already an institution among Hong Kong's Western trading partners, and the gradual shift toward automation in the West, in electronics, textiles and plastics, that will ultimately force Hong Kong's economy to change. While marketing and international prices will continue to define the structure and level of Hong Kong's exports, manufacturing in the territory has probably reached its zenith, according to a growing number of bank economists and business leaders.

The trend has long been visible among local textile manufacturers, who have steadily migrated to other nations — Malaysia, Indonesia, Sri Lanka, Mauritius and even countries in the Caribbean — to avoid the stringent quotas imposed on their exports.

In short, Hong Kong's economy is being overhauled. And the speed with which it is leaving behind its traditional industries in favor of its services sector has increased with the territory's integration into the mainland economy.

"Hong Kong is gearing its resources to what it does best," said Mr. Law. "And that is services."

In many ways, it already has. The Hong Kong government estimates that 70 percent of the territory's gross domestic product already stems from the service sector. Forty-four of the world's 50 top banks in terms of assets operate out of Hong Kong. Increased U.S. interest in the colony accents its own service-dominated society, while its businessmen see Hong Kong's advantages more and more in terms of a regional service center.

Over the past few years, employment in the services has rapidly encroached on the traditional dominance of the manufacturing sector. According to Hong Kong government statistics, manufacturing employment has dropped 9 percent since mid-1984. Employment in trade-related jobs, on the other hand, rose 8 percent. And the financial sector jumped 11 percent. If the rate of change continues, there will be more workers in trade and finance than in manufacturing by 1988.

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Little Dragonair's Push For Share of the Market

By Kate Campbell

HONG KONG — Since Dragonair's formation a little more than a year ago, local press reports have referred consistently to Hong Kong's newest airline as "an upstart" and "a fledgling." Its principal competitor, Cathay Pacific Airways, has been content with "a bit of a pinprick."

"We get upset when we get tagged with these names," said Stephen H. Miller, chief executive of Hong Kong Dragon Airlines Co., as the carrier is formally known. "It's a new business, and we have a tremendous record of success in business, banking and property."

So far, at least, the record to which Mr. Miller refers is limited to the accomplishments of Dragonair's backers, which include Sir Y.K. Pao, a local property and shipping magnate who is also Dragonair's chairman. Since its maiden flight in July 1985, Dragonair's activities have been limited to unscheduled charters flown by its only aircraft, a Boeing 737-200.

But this may soon change. The airline has already received preliminary approval from Hong Kong aviation authorities for flights to eight destinations on the mainland. In August, it applied for rights to 14 additional Chinese cities.

In addition, Dragonair has applied for four routes to Thailand and four to the cities of Kagoshima, Kumamoto, Nagasaki and Oita, all of which are in southern Japan. An application to fly to Guam, which was withdrawn in September, is to be resubmitted, Mr. Miller said.

"We will continue to apply for routes wherever we see opportunities," Mr. Miller said in his office in Hong Kong's Central district.

The airline is to purchase its second Boeing 737 later this year, with a third due for delivery in early 1987.

The arrival in the airline business here of local Chinese investors, many of whom have close mainland ties, has raised serious questions for Cathay Pacific, a subsidiary of the Swire Pacific group. In particular, Dragonair has forced the issue of whether Cathay can maintain its long-held status as Hong Kong's unofficial flag carrier.

This was widely accepted as one reason that Swire decided last May to "localize" Cathay by listing its



Stephen H. Miller

shares separately on the Hong Kong stock exchange. Equally, Dragonair's holding company was restructured last year to eliminate direct mainland interests that totaled about 40 percent.

In effect, competition between the two airlines turns partly on which has a better claim on reciprocal rights extended by other flag carriers serving Hong Kong. The issue has been complicated by the recent formation of a Hong Kong subsidiary by British Caledonian, a private British carrier.

Under a new civil aviation agreement with the Netherlands, concluded earlier this year, authorities here said that a Hong Kong airline is one with its principal place of business in the territory.

"Maybe the nationality of airlines will become a non-issue, as in shipping," Mr. Miller said. Cathay Pacific refuses to comment officially on this or any other aspect of the airline issue.

Cathay has already forced Dragonair to withdraw its requests for route rights to three U.S. cities — Los Angeles, Houston and Honolulu — in addition to Guam. Analysts believe it is also likely to raise formal objections to many of the route applications that Dragonair now has pending, including those to China and Japan.

KATE CAMPBELL, a journalist in Hong Kong, contributes to World Executive Digest and other publications.

Businessmen Bridge Gap

By Kate Campbell and Patrick L. Smith

HONG KONG — As the transition to Chinese sovereignty progresses in the committees formed to manage its many constitutional and legal aspects, business leaders here are becoming an important bridge between Hong Kong and the government to which it soon will answer.

After decades of caution with regard to mainland investment, new economic links between local companies and China have proliferated since the Chinese-British agreement on Hong Kong was signed in 1984. In many cases, executives forging business ties have also "assumed" official political roles in the transition process.

Among them, T.K. Ann, chairman of Windsor Industrial Co., Hong Kong's largest textile firm, is also vice chairman of the Basic Law Drafting Committee, which is to produce a post-1997 constitution for Hong Kong that Beijing must approve.

Mr. Ann is also among the Hong Kong residents that represent the territory in the Chinese People's Political Consultative Conference, an advisory body in Beijing.

Sir Y.K. Pao, the property and shipping executive, is also a vice chairman on the drafting committee. So is David Li, managing director of the Bank of East Asia, Hong Kong's leading property developer, is an ordinary member.

Soon after Sir Y.K. Pao acquired the Lane Crawford department store last year, through his takeover of the Wheelock Marden group, he cleared two floors of the prestigious retailer for the headquarters of the Basic Law Consultative Committee, of which Mr. Ann is chairman.

That committee is charged with gathering public opinion in Hong Kong on issues related to the future constitution. When the committee was formed last year, Beijing was widely criticized for improperly influencing the selection of its 180 members.

Although the committee was eventually reconstituted, there was little change in its membership. In August, a group of 60 business executives and professionals serving on the consultative committee advanced proposals for a future government that closely followed those of Beijing.

Some of Hong Kong's top executives, such as Sir Y.K. Pao and Li Ka-shing, have been large donors to China but appear wary of making significant business commitments or entering into joint ventures on the mainland.

The Bank of East Asia, on the other hand, has long maintained mainland interests. David Li, who is also a member of the law-making Legislative Council, recently played a leading role in launching a joint venture merchant bank in southern China that includes both mainland and Western participants.

As the debate over political changes in Hong Kong has developed, the business community has emerged as Beijing's most influential local ally, many analysts believe. Both assert that stability in Hong Kong is best preserved by keeping political change to a minimum.

In essence, many local business leaders are sweeping aside accepted distinctions between Communists and conservative capitalists and addressing the fundamental political issue here more directly than anyone: whether Hong Kong should modernize politically or simply shift from one traditional form of authority to another.

Currency Dip Helps Exports

Continued from page 9

transition back to its original role as a gateway to China, its trade with its future landlord has slackened.

According to official data, the value of exports to China, Hong Kong's most important outlet for goods after the United States, declined 7 percent in the first half of this year, reflecting Beijing's efforts to tighten foreign exchange outflow and check its growing trade imbalance and the momentum of its recent economic reforms.

That self-imposed slowdown was also reflected in Hong Kong's export role as the most significant re-exporter of foreign goods to China. Re-exports of such goods as iron, steel, finished textiles and machinery fell by 28 percent in the first half of 1986, while re-exports from China through Hong Kong to third nations grew by 35 percent.

Bankimexia regional chief, Stephen Hunt, is enthusiastic about foreign investment. "Total foreign investment in Hong Kong's manufacturing sector alone jumped from \$1 billion in 1981 to \$1.6 billion in 1985," he said. "These figures include some 60 companies whose contribution cannot be calculated. Much of that influx of foreign capital has come from the U.S."

"There has been a dramatic shift of foreign investment from Britain to the United States and Japan. Most of that is China-related."

The American Chamber of Commerce in Hong Kong calculates total U.S. investment in Hong Kong to be between \$6 billion and \$6.5 billion, accounting for 53 percent of total foreign investment in the territory, a figure that grows at 5 percent to 6 percent a year.

The chamber's executive director, John F. Goudey, said, "Americans seem to be very bullish on Hong Kong as a gateway to China. We have 2,200 firms registered with us and are seeing an average of eight large U.S. multinational corporations seeking registration each month."

Like the newly industrializing countries among its neighbors, South Korea, Taiwan and Singapore, Hong Kong's prosperity is inevitably linked to the United States, a relationship reflected in the currency peg of 7.80 Hong Kong dollars to \$1, ensuring a degree of consistency in trade with the colony's main trading partner.

The currency factor this year has overshadowed any nervousness expressed by businessmen over China's promise to maintain Hong Kong's free-wheeling status quo after it takes over in 1997.

Outwardly, business is booming. The pegged local currency has weakened sufficiently to make Hong Kong's light manufacturers highly competitive in European Community markets; currency factors have again lowered the prime domestic interest rate

to 6.5 percent; 12 new share issues, including the colony's largest ever, have come to the newly unified stock market at record highs; Japanese investors are busy buying banks and property, and the government calculates unemployment at under 3 percent, which is deemed by global definition as full employment.

Total direct export growth on an annual basis has averaged 10 percent monthly since March, with seven out of nine of Hong Kong's main markets, including the United States, increasing imports. Australia and China have bucked the trend with currency-related declines.

Retained imports for domestic use grew by 10 percent in real terms, a fair measure that the renewed buoyancy has reached the territory's 5.6 million residents, a view further confirmed by a 9.6-percent overall rise in consumer savings.

While retail sales and consumer spending is up, domestic capital expenditure by local industry shows no overall change on the year, according to Mr. Jacobs. This has fueled concern that some businessmen are showing a lack of confidence in the future, a concern Mr. Jacobs feels is premature.

"We had a massive lift in plant and machinery installations in 1984 of some 23 percent, the biggest in our history," he said. "Even with a small drop in 1985, they average out as two extraordinary years."

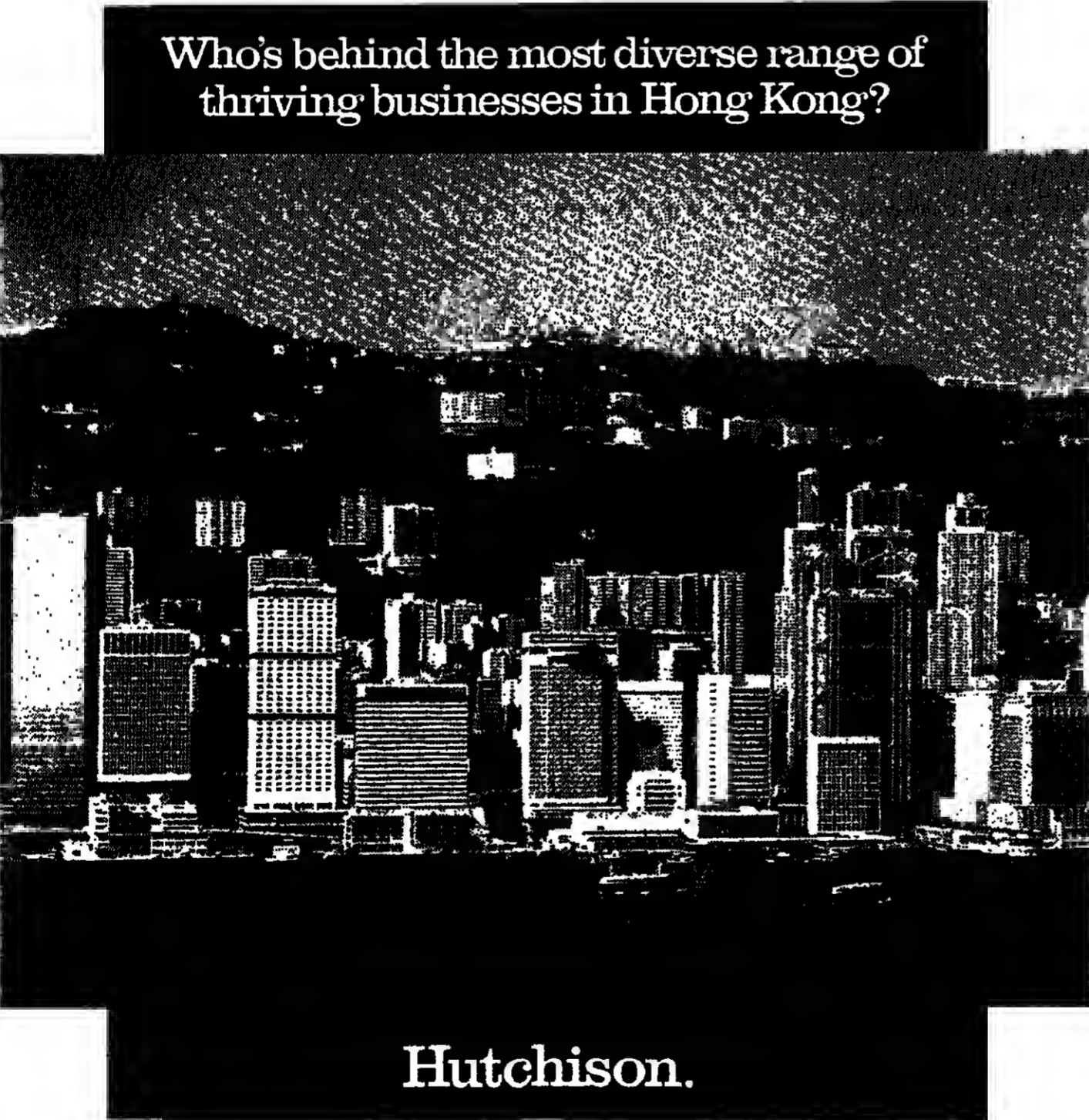
While U.S. investment dominates foreign money in Hong Kong and that directed to China, Japanese businessmen are playing an increasingly significant role in their efforts to relocate manufacturing operations from high-wage high-yen Japan.

Japan's largest bank, Dai-ichi Kangyo, recently purchased middle-ranking Cheliang Bank, to be geared as a foothold for a solid Japanese presence in the southern Chinese banking market.

Exports to Japan, Hong Kong's fifth largest trading partner, rose 16 percent in the first half of the year with the dominance of the yen.

Chief economist at investment counselors Thornton management, Peter Everington, believes Hong Kong is on the brink of a cyclical boom, "the most spectacular in 25 years," with the China factor as its locomotive.

"Foreign companies with designs on China have found it is actually more expensive to go direct to China and ignore Hong Kong. We are seeing frequent retreat. The Chinese are still grappling with Western business requirements, particularly the profit motive, while Hong Kong has one of the most convenient infrastructures anywhere in the world."



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Statistics Index table with columns for Market, News, and other categories.

THURSDAY, OCTOBER 23, 1986

WALL STREET WATCH

Explaining Digital's Rise And Data General's Fall

By VARTANIC G. VARTAN

NEW YORK — Both Data General Corp. and Digital Equipment Corp., once regarded as perennial rivals in the minicomputer business, were outstanding stock market performers in 1984. Data General's shares climbed 57.7 percent, while Digital's stock rose 53.8 percent.

"Since then, the two stocks have moved in opposite directions," said John L. Rutledge, the industry analyst at Dillon, Read & Co.

Data General's shares, which hit a high of \$76 in February 1985, closed Tuesday at \$26.375, down 62.5 cents to a three-year low. Digital, whose stock has doubled in the last 52 weeks, fell 25 cents to \$95.375. It set a record high of \$105.125 in September.

"We made a sell recommendation on Data General 15 months ago; we have not removed that."

Wall Street analysts cited the timing and magnitude of the product cycles of the two companies, along with the increasingly competitive nature of the computer industry.

At the outset, Data General computers were attractive mainly for offering lower prices for the same performance as Digital's machines, according to Daniel S. Chertoff of Sanford C. Bernstein & Co., whereas Digital's huge installed base and large amounts of applications software made it particularly successful in moving more toward end-user, or customer, sales.

"Most of Digital's customers today are more interested in the suitability of the overall computing solution to their particular needs, rather than just price," Mr. Chertoff said.

The 16-page review of Tokyo's market-opening program was given to the Japanese on Tuesday. Repeating EC criticisms, the review called for an acceleration and, in some cases, a fundamental revision of Japanese efforts to reduce restrictive product standards and certification rules.

The review analyzed five sectors affected by the Japanese restrictions and concluded that the market-opening program had fallen far short of decreasing such barriers to trade.

Since neither company pays a cash dividend, profits have a big impact on how their stocks perform. At Digital, earnings were \$4.81 a share for the fiscal year ended June 30, and higher profits are envisioned for the current fiscal year.

By contrast, Value Line expects Data General's stock to perform less well than the general market in the coming year. Data General reported profits of 92 cents a share for its fiscal

EC Study On Japan Is Critical

Finds Flaws in Aiding Imports

By Peter Maass

BRUSSELS — The European Community Commission said Wednesday that Japan's year-old program to open its markets had failed to reduce significantly restrictive standards and certification rules for imported consumer goods.

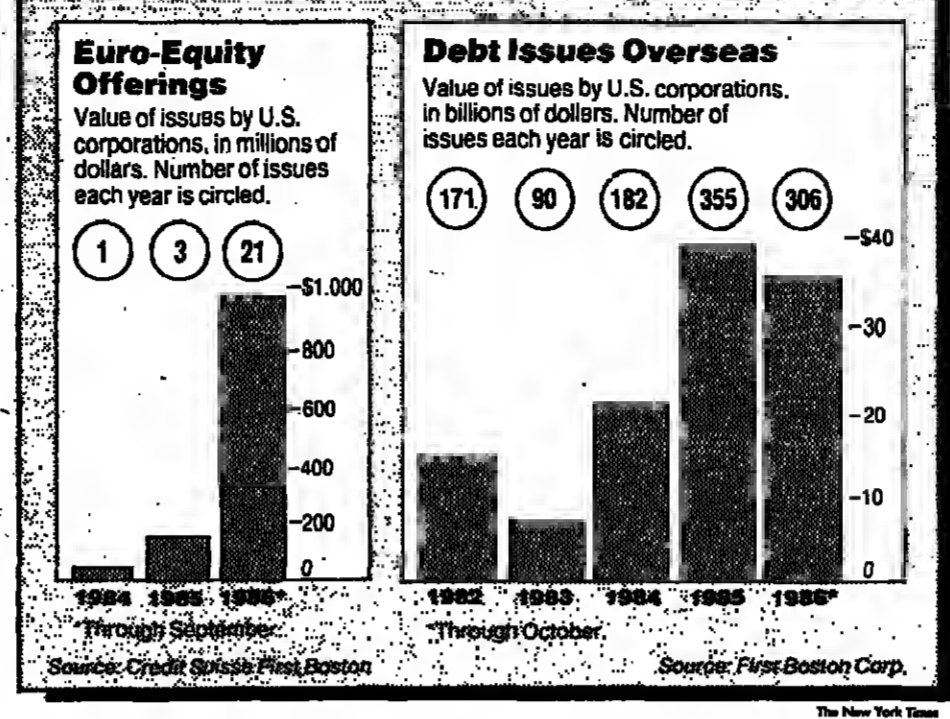
The critical review of Japan's effort to increase imports came as the community made public statistics compiled by the Japanese that showed a significant widening in the EC's trade deficit with Japan.

According to the Japanese figures, the EC's deficit in the first nine months of 1986 nearly doubled, to \$13.3 billion from \$7.7 billion a year earlier.

In a related trade move, a Commission spokesman said that EC foreign ministers, who are scheduled to meet in Luxembourg next Monday and Tuesday, are likely to approve a plan to lodge a formal GATT complaint against Japanese tariffs on wine and other alcoholic beverages.

The review stated that most of the progress affected products that are of marginal interest to European exporters.

Global Options for Financial Officers



A World of Options in Financing Role of Corporate Officer Becomes More Complex

By Leslie Wayne

NEW YORK — When Fred Zuckerman, treasurer of Chrysler Corp., decided to spread Chrysler's name in the financial world, he turned to Japan.

Chrysler cars are not sold in Japan, but as of last month its stock has been. With its shares now listed on the Tokyo Stock Exchange, the name of Chrysler is shouted by traders in Tokyo as loudly as it is on Wall Street.

That means Mr. Zuckerman must stay on top of developments in Tokyo, just as other Chrysler executives do on the manufacturing side.

Technology is shrinking the world of finance so that today it is often as easy for an American company to raise capital in London as it is in New York.

Whether it is yen-denominated Eurobonds or complex swaps involving eight different currencies, chief financial officers are finding they must pick their way through a plethora of new financing options in more and different markets.

GMC Reports Operating Loss Of \$338 Million

Compiled by Our Staff From Dispatches

DETROIT — General Motors Corp., the No. 1 U.S. automaker, said Wednesday that it had an operating loss of \$338.5 million in the third quarter, 16 times its loss of \$20.9 million in the 1985 period.

The company blamed the huge shortfall on capital investments, a 15-percent decline in worldwide sales early in the quarter and the cost of cut-rate financing programs in August and September.

The sales incentives helped push up revenue 2 percent, to \$22.84 billion from \$22.49 billion.

The net figure included \$311 million of tax credits. Profit declines were also matched somewhat by record earnings at GM's financing subsidiary, General Motors Acceptance Corp., to \$313.7 million, up 17.8 percent from the 1985 quarter.

Earnings for GM's two other subsidiaries, GM Hughes Electronics Corp. and Electronic Data Systems Corp., rose during the quarter as well.

The size of the operating loss was in line with analysts' estimates, and GM stock rose 87.5 cents a share, to \$68.375, in active trading on the New York Stock Exchange.

The company has been struggling for most of this year, as net profit fell 5.9 percent in the first quarter and 19 percent in the second.

In mid-August, for example, GM's sales fell by 10.4 percent, while Ford Motor Co. posted a 20.3-percent gain and Chrysler Corp. had a 10-percent gain.

The sales slump resulted in inventories of 100 days to 250 days in some models. The automaker launched an industry-wide deep-discount sales incentives battle in



Roger B. Smith

late August to clear out the backlog, but the costs of the financing, through the GMAC subsidiary, further depressed profits and ignited financing-incentive battle that analysts say could hurt GM more in the long run.

GMAC had offered new car loans with interest rates as low as 2.9 percent until Oct. 8. The unit recently sold \$4 billion in the low-interest loans to First Boston Corp. one reason for its record performance in the third period.

The problems have forced the company to take a number of major steps in recent weeks. Last month GM confirmed reports that it would drastically alter its marketing strategy, and on Monday it said it was scrapping plans for plastic-body cars.

GM's chairman, Roger B. Smith, also said this month that GM has changed its position and will urge Japanese car makers to cut exports to the United States.

For the first nine months of the year, the company's net profit declined 23 percent, to \$2.06 billion, or \$8.43 a share, from \$2.67 billion, or \$8.43 a share, in the first three quarters of 1985.

Revenue, however, was up 8 percent, to \$77.3 billion from \$71.7 billion. (Reuters, AP, IHT)

Several Years Ago, Data General Got the Jump on Its Competitor

because its product line was more appealing than Digital's, which was advancing according to Bruce E. Watts of Morgan, Keegan & Co. But Digital poured money into research and development, and its investment finally paid off.

So while Digital is now gaining market share and reaping profits, Mr. Watts said, Data General must wait for its customers to make full use of the capacity they have already installed.

Since neither company pays a cash dividend, profits have a big impact on how their stocks perform. At Digital, earnings were \$4.81 a share for the fiscal year ended June 30, and higher profits are envisioned for the current fiscal year.

By contrast, Value Line expects Data General's stock to perform less well than the general market in the coming year. Data General reported profits of 92 cents a share for its fiscal

Currency Rates

Table of currency rates for various countries including Australia, Canada, France, Germany, etc.

Other Dollar Values

Table of other dollar values for various currencies like Swiss Franc, Japanese Yen, etc.

Interest Rates

Table of interest rates for various terms and currencies.

Key Money Rates

Table of key money rates for various financial instruments.

Asian Dollar Deposits

Table of Asian dollar deposits for various banks and terms.

U.S. Money Market Funds

Table of U.S. money market funds with columns for fund name and performance.

Gold

Table of gold prices for various locations and currencies.

OPEC's Renewal of Output Quotas Has Only Bought Time

By Judith Matloff

GENEVA — OPEC, after 17 days of haggling, has reached agreement on renewing controls on its oil production to buoy prices in a world glut that refuses to go away.

But Western experts say the accord reached Tuesday night was no more than a stopgap solution that set output quotas for the 13 members of the Organization of Petroleum Exporting Countries only until the end of the year.

"We're talking about the crunch next time," said Phillip Lambert, oil analyst with London brokers Kleinwort Greenston, referring to OPEC's next meeting on Dec. 11.

OPEC ministers agreed that that session will have to tackle the issue that could not be resolved this time: permanent production quotas, expressed as percentages of the cartel members' varying share of the world market.

American Eagle Gold Coin Soars Out of Supply

By Kenneth N. Gilpin

NEW YORK — After two days of sales, the American Eagle, the new U.S. gold coin, proved to be a success of embarrassing proportions: The supply ran out.

The 800,000 coins offered by the U.S. Mint beginning Monday were snapped up and the West Point Depository, where the coins are minted, is working seven days a week, three shifts a day, to turn out more.

The Eagles, the first investment-grade gold bullion coins minted by the United States in more than 50 years, have face values of \$5, \$10, \$25 and \$50, but will sell for more because of their gold content.

The \$5 coin contains a tenth of an ounce of gold, while the \$50 coin contains a full ounce. Gold closed at \$425.25 an ounce in New York on Tuesday, but the one-ounce coin was selling at \$450.50, a 6 percent premium over the value of its gold content.

The response surprised the Mint, which, on Tuesday, announced that there were no coins left to sell.

"We knew that demand would be great, but we didn't expect it to be like this in the first two days," said Donna Popp, director of the Mint. "I hate suffering from success."

She said that the Mint would probably have an additional 150,000 ounces of coins to sell on Monday but that those sales would be "seriously" allocated. "I'm a quick check with our authorized

Study Cites Gain In Jobs With Third World Ties

By Judith Matloff

WASHINGTON — Trade with developing countries in manufactured goods has created more jobs in industrial countries than it has cost, according to a study by the United Nations Industrial Development Organization.

For Japan, the employment gains were equivalent to as much as 15 percent of its total manufacturing employment in 1983. Gains in the United States were placed at 3.3 percent of total manufacturing employment.

The conclusions were based on 1983 trade with the Third World of six developed countries — the United States, West Germany, Japan, France, Britain and Italy.

The analysis was published in the organization's Global Report for 1986, released Tuesday at a news conference in Washington as part of an effort by the Vienna-based specialized agency of the United Nations to become better known in the United States.

Ask us for the world

Fly with Jet Aviation, the leading international aviation organization, with more than 50 aircraft and 1500 pilots worldwide. We have a variety of Business Jets to precisely match your mission and budget, and also offer a complete range of services, including ground handling, fuel, crew support, maintenance, completion, refurbishment, aircraft management, consulting, technical assistance, as well as leasing and financing.

Our executive charter fleet — available around-the-clock: Citation II, Citation III — Learjet 35, Learjet 36 — BA 125 — Falcon 10, Falcon 20, Falcon 50 Jetstar II — Challenger 600 — Gulfstream II/III — Boeing 727 — Boeing 707 — DC-8/72

CORUM watch advertisement featuring a detailed image of a watch and text describing the brand and its products.

BUSINESS ROUNDUP

Avis Europe to Raise \$278 Million in Offering

LONDON — Avis Europe, a subsidiary of the giant U.S.-based car-rental company, Avis Rent-A-Car, said Wednesday that it will sell 72 million shares next month worth \$278 million (\$397.5 million) on the London Stock Exchange, its first public offering.

Hyundai Venture Unveils Computer

NEW YORK — Blue Chip Electronics Inc., in association with Hyundai Group of South Korea, introduced Wednesday an IBM-compatible personal computer that it priced at \$699.

Hitachi Zosen Seeks to Cut Staff

TOKYO — Hitachi Zosen Corp., Japan's third-largest shipbuilder, is proposing closing two of its nine shipyards and trimming its workforce by 33 percent, company officials said Wednesday.

COMPANY NOTES

Firestone Tire & Rubber signaled further retrenchment and a fourth-quarter loss Tuesday. The U.S. tire maker said it will take a fourth-quarter writedown of about \$78 million to cover an unspecified restructuring, which may involve further plant sales and closings and a narrowing of its line of products.

Yugoslavia's \$4,000 Car Is Making Inroads in U.S.

KRAGUIJEVAC, Yugoslavia — A company that started as a gun factory a century ago is trying to conquer the world car market with a cheap new model called the Yugomobile.

To gain favor with America's most influential executives, put your ads in their favorite business magazine.

Magazines read regularly by corporate officers in 1,000 of America's largest companies. Forbes 62.3%, Business Week 61.4%, FORTUNE 45.3%. Cost per Thousand Circulation: Forbes 4C Page \$50.25, Business Week 4C Page \$56.81, FORTUNE 4C Page \$59.17.

Tin Prices Soar in Buying Spree by Steel Mills

LONDON — Tin prices have surged this week in a burst of steel mill buying that took merchants by surprise. Dealers said the buying was used by the largest Western users seen in the past six months.

INTERNATIONAL POSITIONS

GRACE Financial Analysts. We Teroson GmbH are a major subsidiary of W. R. Grace located in Heidelberg/Germany. We produce and sell a large variety of specialty chemicals in Western Europe and other countries.

Company Results table with columns for Company Name, Revenue, Profit, and other financial metrics for various international companies.

Talks Next Week On Rescheduling Philippines' Debt

MANILA — President Corason C. Aquino said Wednesday that talks would begin Monday in New York to reschedule \$9.3 billion of the Philippines' \$26-billion foreign debt.

YEMEN ARAB REPUBLIC INVITATION FOR PREQUALIFICATION

GENERAL CONSTRUCTION, FURNITURE, FURNISHINGS, EQUIPMENT FOR THE FACULTY OF AGRICULTURE-SANA'A UNIVERSITY. Sana'a University, YAR intends to begin construction of the Faculty of Agriculture in July 1987.

HIGHWAY SPECIALISTS (OVERSEAS). GANNETT FLEMING, a large consulting firm, is seeking the following qualified English or French speaking professionals for a three year road technical assistance program in Africa.

Personnel Director-UK £30,000+. Client is a well recognized \$1 billion multi-national U.S. corporation with a strong commitment to grow their international division.

Tokyo Pacific Holdings N.V. Listed on the Amsterdam Stock Exchange. Information: Pierson, Holding & Pierson N.V., Herengracht 214, 1016 BS Amsterdam.

CURRENCY MARKETS

Dollar Falls in Most European Trade

LONDON — The dollar closed generally lower against European currencies Wednesday after key U.S. economic data failed to give fresh direction to the currency.

The dollar remained bearish, but the dollar/Deutsche mark rate was underpinned by its firmer levels against the yen.

"Nobody is paying attention to that sort of thing any more," one dealer at a U.S. bank said. There were too many contradictory statements about the future direction of the dollar to take each one seriously, he added.

Continental-Frontier Routes

DENVER — Continental Airlines said Wednesday that it will begin non-stop service in the next two weeks from Denver to 12 cities formerly served by Frontier Airlines, with at least 10 more routes to be added later.

THE EUROMARKETS

Investors Have Little Reaction to GNP Data

By Christopher Pizze

LONDON — The dollar-sterling sector of the Eurobond market ended unchanged to slightly higher Wednesday after a relatively quiet session that included publication of the preliminary U.S. third-quarter gross national product data.

good-quality, corporate debt will sell, but not much else will. The largest issue launched was \$200 million in convertible bonds for Bell Resources Financial Services NV guaranteed by Bell Resources Ltd.

price, plus \$621 per \$5,000 bond. Nikko Securities (Europe) was sole manager. Meanwhile, in Frankfurt, the World Bank launched a 300-million Deutsche mark issue that after its payment date will be merged with its 500 million DM in 6-percent bonds due 1996 that were launched in July.

Wednesday's OTC Prices. NASDAQ Post out of 4 p.m. New York, N.Y. Via The Associated Press.

Table with columns for stock symbols, prices, and changes. Includes sections A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

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London Dollar Rates

Table with columns for currency, rate, and change. Includes Deutsche mark, Swiss franc, French franc, and others.

The pound fell in London to 2.8428 DM from 2.8543 DM on Tuesday. It moved to the top end of the day's trading range after an announcement that the implicit price deflator — inflation measure linked to GNP — rose a larger than expected 3.6 percent in the third quarter.

FINANCING: The Corporate Officer's Role Is Becoming More Difficult

(Continued from first finance page) foreign financial markets, which have become more open to foreigners. It has also been prompted by the expansion of American investment banks overseas.

BUSINESS PEOPLE

IBM Deutschland Head to Step Down in January

By Arthur Higbee

Lothar Sparberg, chief executive of IBM Deutschland GmbH, the West German subsidiary of International Business Machines Corp., says he will relinquish his post in favor of a younger man.

Mr. Sparberg, 59, said he would become chairman of the subsidiary's supervisory board, while his deputy on the management board, Hans-Olaf Henkel, 46, would become chief executive. Both moves take effect from the start of 1987.

Volkswagen of America Inc., a subsidiary of Volkswagen AG of Wolfsburg, West Germany, has announced that Peter Flotow, 41, head of its Audi of America Inc. division since 1982, will be reassigned.

Equatorial Communications Co. of Mountain View, California, makers of satellite dishes, said Edwin B. Parker, 54, its co-founder and vice-president, has succeeded another co-founder, Dean T. Mack, 51, as president and chief executive.

FINANCING: The Corporate Officer's Role Is Becoming More Difficult

which were at fixed and some at floating rates. Some corporations, such as Data General Corp., are increasingly turning to foreign banks for money-raising.

Mr. Sparberg said the effect was short lived, with the market not seriously expecting a rise in interest rates at this time. In other IBM news, Richard T. Gerstner, 46, a corporate vice president, has been appointed group executive for IBM World Trade Asia/Pacific Group, based in Tokyo.

U.S. corporations go overseas to raise money for one simple reason — because it is cheaper. They say they can lower their borrowing costs by a quarter to a half and sometimes even a full percentage point overseas.



Mr. Storr said Philip Morris also goes overseas because of the size of its borrowing. Within one week, for instance, his company borrowed \$1.1 billion, and by selling some of these securities overseas, it was able to get more buyers and a better price.

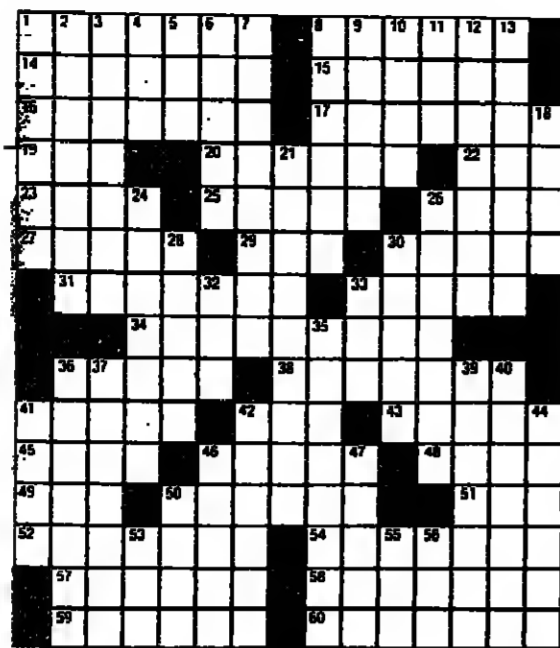
Table with columns for stock symbols, prices, and changes. Includes sections A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

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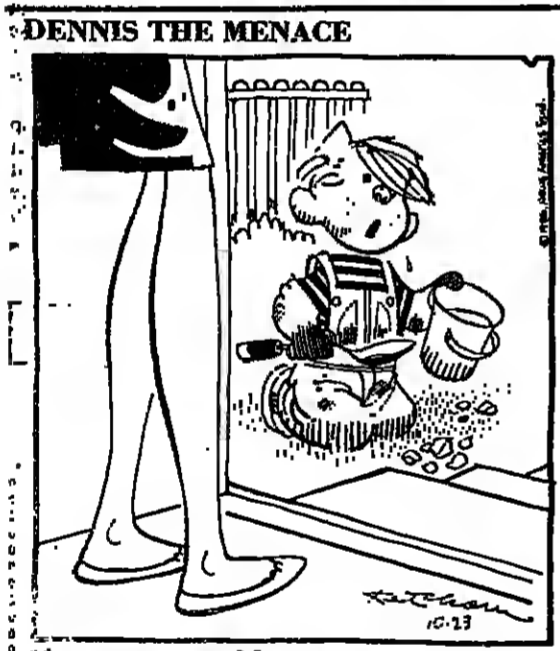
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Honeywell Ponders Sale Of South Africa Affiliate. MINNEAPOLIS — Honeywell Inc. said Wednesday its directors are considering the sale of the company's South Africa operations.

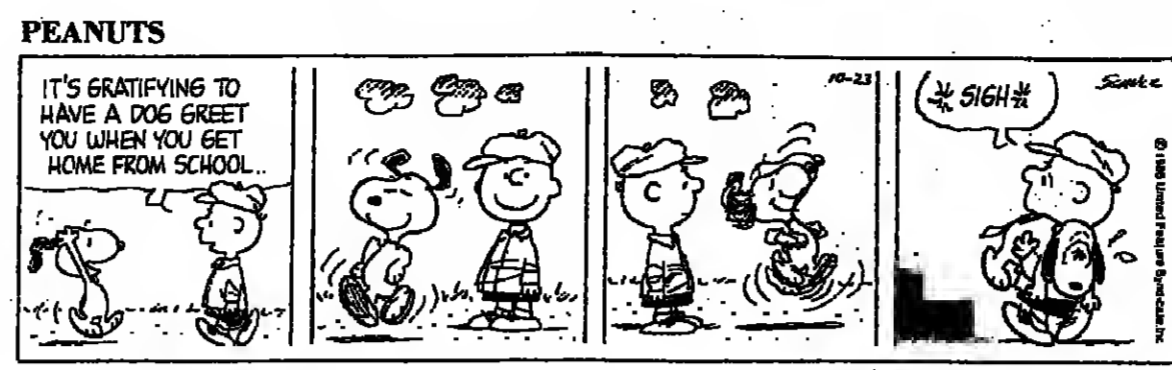


ACROSS
1 Tropical, insect-eating bird
8 Manhattan College student
14 Glossy sifk for hoods
15 Philosopher José — y
16 Londoners' movies
17 Author of "Nonsense Novels"



JUMBLE THAT SCRAMBLED WORD GAME
Unscramble these four jumbles, one letter to each square, to form four ordinary words.
IMDEG
NUDET
LETHAH
INGUMP

WEATHER
EUROPE HIGH LOW
ASIA HIGH LOW
AFRICA HIGH LOW
LATIN AMERICA HIGH LOW
NORTH AMERICA HIGH LOW
MIDDLE EAST HIGH LOW
OCEANIA HIGH LOW



BOOKS

COME AS YOU ARE: The Peace Corps Story
By Coates Redmon. 416 pages. \$22.95.
Harcourt Brace Jovanovich, 1250 Sixth Avenue, San Diego, Calif. 92101.
MAKING A DIFFERENCE: The Peace Corps at Twenty-Five
Edited by Milton Viorst. 218 pages. \$16.95.
Weidenfeld & Nicholson, 9 East 40th Street, New York, N.Y. 10016.

Solution to Previous Puzzle
MIST BIAS IDLED
ESTE BART NOISE
LEER ACME EISE
TRAP SHORTORDER
SEMPLER BREIN
ASPERIE BECALM
GASPE TREE OLEO
ARRESTS ATALOSS
REAR OAKS IOEST
GETSON ATENT
RAIN NEURON
SANDALWOOD REMO
ABOUT ANAT KANT
MESME ZERO EOTIE
STEED ANY YEARS

BRIDGE

By Alan Truscott
ON the diagramed deal, South opened with an eccentric weak no-trump and then took advantage of the fact that his opponent did not know what was happening.

World Stock Markets table with columns for Amsterdam, Frankfurt, London, Zurich, Tokyo, Sydney, and various international indices.

Souren Melikian IN THE ART EVERY SATURDAY WITH AUTHORITY WRITING ON THE WORLD OF ART AND ART AUCTIONS

SPORTS

Ojeda, Mets Cut Red Sox Series Lead to 2-1



Boston had a double rundown play in the first inning when Keith Hernandez, left, who had been trapped off third, beat a late throw to shortstop Spike Owen, who was covering the base. Owen still had a clear shot at Gary Carter, was

retreating toward second, but Owen whirled to see if Hernandez would try to dash for home plate; by the time he fired to second baseman Marty Barrett, right, Carter was back safely. Danny Heep then singled in two runs for a 4-0 Met lead.

VANTAGE POINT/Thomas Boswell
A Partisan Appeal for Prayer

Washington Post Service
BOSTON — Oh no, not again. As matters now stand, the only responsible adult position on the World Series is to root, root, root for the Red Sox like a 10-year-old kid.

For the 90 percent of fans who are nonaligned observers, now is the time to cast independence aside. Register Red Sox. Call relatives, poster acquaintances, hand out leaflets on street corners. Got friends in Hong Kong? Send a telegram: "Pray for Boston."



In Game 3, things weren't exactly looking up for Boston Manager John McNamara.

Compiled by Our Staff From Dispatches
BOSTON — The Boston Red Sox didn't believe Bob Ojeda could do it, not in this stadium where he'd failed so often, not with that green monster of a wall in left field and especially not with that scowling manager in the opposing dugout.

reached The Wall only once, and that was in the second when Don Baylor doubled and got no farther. Last winter, the Red Sox traded Ojeda to the Mets, and one man who wasn't sorry to see him go was Boston Manager John McNamara, who had squabbled with him over both the style and substance of his pitching.

Cypriot Team a No-Show for Soccer Cup Match

STANBUL — A European Nations' Cup soccer match between Turkish and Greek-Cypriot teams was not played here Wednesday because the Cypriot club did not show up.

SCOREBOARD

Table with columns for Hockey, European Soccer, and Baseball. Includes NHL Standings and 1986 World Series, Game 3 results.

0 Horses Are Entered for Breeders' Cup Races

By Steven Crist
NEW YORK Times Service
EW YORK — Ninety horses entered Tuesday to run for million and most of thoroughbred championship titles in seven Breeders' Cup races at Santa Anita on Nov. 1.

SPORTS BRIEFS

NBA Votes to Expand by Up to 3 Teams
PHOENIX, Arizona (AP) — The National Basketball Association's board of governors voted Tuesday to expand by one to three teams, but not before the 1988-89 season and possibly not until 1990-91.

Frontiere Plea-Bargains in Ticket Case

SANTA ANA, California (AP) — Composer Dominic Frontiere, husband of Los Angeles Ram owner Georgia Frontiere, has agreed to plead guilty to tax charges stemming from the sale of thousands of scalped 1980 Super Bowl tickets, it was reported Tuesday.

Golf

PGA Leaders table showing earnings for various golfers like Greg Norman, Bob Trevi, and Andy Bean.

America's Cup

Yacht
Koolhaas III
Australia IV
Koolhaas III
Australia III
South Australia
Steak's Kidney

Transition

DETROIT — Former Ten Bessens manager of Glen Falls of the Eastern League, Howard John Wochenski, has been named manager of the Florida State League.

Football

BUFFALO — Michael Guy Frazier, linebacker, has been named head coach of the Buffalo Bills.

Advertisement for Blancpain watches, featuring a watch image and text: 'Since 1735 Masterpieces of swiss watchmaking art'.

ART BUCHWALD

Hold That Library!

WASHINGTON — It isn't easy to raise money for your school when you have a losing football team. As Tuna University's leading alumnae fund-raiser, I made a house call at Marvin Bromfield's office the other day. "As you know, Bromfield, we have a drive on for the new library and I've been assigned to find out what you will pledge to further the educational goals of your alma mater."

have priorities too. When I go out to a bar no one ever asks me how Tuna U's library is going to do against Notre Dame. I love Tuna and I say if there is any money left over after we pay the players, then use it to buy books. All I ask is that you don't take it away from the boys by breaking their butts for ole T.U."

"The chancellor is aware that the university is weak on the line, but you know the school's financial policy as well as I do — one year the money goes for books and the next three years for athletics. We want our university to be a cathedral of learning."

"Tell the chancellor I want that for the school as well. But he'll never get it unless he fires the coach."

"Do you honestly believe Tuna U will be a better place if the coach is fired?"

"It will be if we find a decent replacement. Look, I'm not one of those fanatic alums who is always yelling for a winning team, but I

John Mortimer: 'Paradise Postponed'

By Francis X. Clines New York Times Service

HENRY ON THAMES, England — A sense of theater makes life's trials and obscurities bearable, and no one demonstrated this more literally than John Mortimer the writer when he was John Mortimer the barrister, burdened with defending alleged pornographers. Not too long ago, in serving as one of England's senior public service lawyers (roughly akin to an American public defender), the man who gave the television viewer the pleasure of "Rumpole of the Bailey" and "Brideshead Revisited" also gave the real-life viewer the comfort of the Aversion Theory.



"I try to make it literary, try a style two feet above reality."

"I invented this defense which says that if anything is so disgusting it puts you right off sex until next Thursday afternoon, it's actually intensely moral," says Mortimer, sipping wine in a flower garden in Oxfordshire. "The Court of Appeal thought that was actually a charming point of view, so I won the case."

Mortimer's sense of theater knows no particular bounds, and he feels his dramatic monologues for the defense were greatly aided by the fact that he never bothered to read many of the books in question. "I would tell the jury that judges had read hundreds of these books and if they had the effect the prosecution contends, the judge should be wearing canvas-knuckers and tying himself up in the bathroom. They would laugh and we would win."

Now happily retired from the law, the sense of theater has never been more his own, as has been demonstrated by his television series "Paradise Postponed," which has just started running in the United States and has caused passionate controversy in Britain. This is his television depiction of the engulfing malaise that replaced the British optimism and confidence after World War II. His episodic tale is a complicated weave of family lives rich with doubt and love, greed and ambition, naivete and regret, all bubbling through postwar decades in a materialistic maze of misplaced hopes.

The title is set in a country hamlet much like Mortimer's own, an amber-crooked idyll where trendy suburbanites settle as silkies Viscounts. He has rooted the story in an eccentric, patriarch, a leftist vicar caught up in every do-good cause imaginable short of conventional Deity, an object of Mortimer's special literary knack for scathing satire and implicit affection. The demise of this scatter-brain vicar involves a scandalous inheritance, some weak and bewildered family members, and the ascension from the underclass of a wonderfully loathsome character named Leslie Timms. Timms gradually becomes a prop-

erty goblin, then an atavistic politician and Conservative cabinet minister. To a considerable extent the story reflects the prejudices and regrets of the author, and some good times and redeeming optimism too. Mortimer received a classical education at the direction of "middle-class socialist" parents who read George Bernard Shaw and rooted for Lloyd George liberalism and led him to believe that government had a moral purpose best exemplified, for his taste, in the literary humanism of Dickens. "The idea that you should feel compassion for the less fortunate, and that this should be your dominant political feeling," says Mortimer.

"The Paradise in the story is what we were going to have after the war: no unemployment, no class distinction, hardly any Conservatives," he says. "Now we've got Conservatives, class distinction, mass unemployment. It's where we started."

Unlike the "Brideshead Revisited" teleplay that Mortimer adapted with considerable success from the Evelyn Waugh novel, "Paradise Postponed" is his own concoction, or, as he almost superstitiously prefers to think, the concoction of characters he invented and set loose to work out their

"You've got to get them living, and then they do things on their own if you're very lucky," Mortimer says. "Decent characters do not follow the dictates of a tyrant."

He describes a work habit of writing in longhand on a pad most days from 5 A.M. until lunchtime, a regimen that evolved from his pre-dawn law researches as a barrister. He always wanted to be a writer and in fact, was a writer even as he survived economically at the law.

The combination gave him that sense of heightened dialogue and a reverence for voice-over exposition that are his trademark on television. "TV is confined to realism too much. It's a very very literal medium, and I try to make it literary, try a style two feet above reality, not quite naturalistic, actors just a bit larger than life, more flamboyant."

Presiding at his exquisite country home of farm-styled hearth, hideaway and scolding garden and woodland, with a loving family that respects his morning work and grants his afternoon leisure, Mortimer is hardly the ravaged aesthete. The white wine goes down easily in the garden shade, and the host is a witty, cheerful, short-term pessimist, a writer who believes in humor and prefers characters whose dialogue contradicts their hidden motives.

"That's why I like voice-over so much," he says. "Voice-over should always be in contrast to what's happening deep opposite to what the character is saying."

At the age of 63, fresh from a dark morning of wrestling new episodes of Rumpole to life, Mortimer pauses at the wine and concedes that so much of his life gets recycled through the imaginative process that he no longer can remember exactly what the original experience was. The creative act of putting his father on paper has blurred accuracy for the son. "I can't separate the dialogue I made up for him from what he actually said," Mortimer says.

Beyond the television play, "Paradise Postponed" is also a novel, his first in 30 years, a best-seller in Britain that was composed in tandem with the TV script, not before and not after, in an odd early-morning exercise that Mortimer found exhilarating.

"The TV people wanted something on England since the war, but I didn't want to adapt someone else's book, so I wrote my own novel to adapt. Very strange. I never fully realized the enormous difference between a novel and television. On TV, you have little scenes of people in dramatic conflict; in the novel, their lives include all the rest, the living's in between and what goes on inside them."

Still, Mortimer loves TV writing, even though he admits he rarely watches TV. "Laurence Olivier says films are made by editors, stage plays are made by actors and television plays are made by writers, which I thought was very encouraging," he says, smiling in his gently jaded fashion.

Mortimer writes for himself, fearing lunacy if he were to be preoccupied with imagining the specific tastes of the millions in his TV audiences. "You've got to please yourself, and if you're lucky, there's something in you that's in them."

Those large audiences do serve as inspiration, however, for he celebrates TV as a kind of Victorian democrat, a popularizer of fictions notions that can rivet a delightfully variegated mob of watchers from one weekly episode to the next, the way Dickens did.

The one sure way he can tell his writing is weak is when the actors love it and acclaim him at the first rehearsal; the one sure way he knows it is good is when upon first writing it on the pad he begins laughing. The real danger to a writer is reading, he says. "Particularly when you're young and read contemporary writers who impress you. I wrote a novel when I was 22 and I can see now it's immersed in Graham Greene, Evelyn Waugh, Raymond Chandler and Sartre. Very dangerous."

Accidental Blow to Jaw Fails to Silence Soprano

Eva Marton suffered a dislocated jaw and was groggy during the performance of "Tosca" at the Metropolitan Opera in New York, but she finished her portrayal of the heroine in the best show-stopping tradition. During the staged scuffle between Marton and Juan Pons the soprano was accidentally struck in the jaw by the baritone's elbow. "When I was hit, I know something happened — I heard a crack," Marton said later. Her big aria, "Vissi d'arte," was coming. She sang it prone on the floor, as is the custom. "I shaped the vowels with my tongue. I suddenly had to invent a new way of singing." At intermission, she was asked if she could continue. Her husband, a surgeon, thought that perhaps a small bone had been broken and advised her against going on. She rejected his advice. "I wanted two years for this performance. I have sung Tosca maybe 140 times all over the world. I was not going to give up the Metropolitan Opera performance, which I had wanted to do for years." The next morning she underwent X-rays, which showed no fracture. She will repeat "Tosca" on Saturday.

The Archbishop of Canterbury, Robert Runcie, and his wife, Rosemary, have denied newspaper reports that their marriage has collapsed. In a statement they described as "ill-founded rumors" the reports of a marital rift by The Sun and The Star, two London tabloids. Runcie, 65, and his wife, 50, were married in 1957.

A shipping broker in Greenwich, Connecticut, who does all his work on the phone says he lost at least one deal because a computerized sales pitch called him nearly every two minutes for 72 hours, tying up his lines. The voice-activated computer message beveling Joera Reppening was shut off after he complained to New York Telephone's annoyance bureau, the Better Business Bureau, AT&T, police and the state attorney general.

Nicholas Feteris, 25, an Austrian who parachuted off the Statue of Liberty in New York harbor Thursday, was fined \$100 for trespassing and practicing without a permit.

London Museum Charge

LONDON — London's Natural History Museum will start charging admission next spring even though it is expected to cut attendance by 40 percent, the museum's director said Tuesday. Dr. Ronald Headley said a charge of £2 (\$4.46) would be introduced in April 1987. Headley told reporters admission charges were needed to offset a funding shortfall of £1.3 million for 1987-88.

ANNOUNCEMENTS

PERSONALS

MOVING

FOUR WINDS International

GLOBAL International

interdean WHO USE FOR YOUR NEXT INTERNATIONAL MOVE

ALLIED WORLDWIDE MOVING

REAL ESTATE SERVICES

REAL ESTATE FOR SALE

REAL ESTATE FOR SALE

REAL ESTATE FOR SALE

REAL ESTATE FOR SALE

REAL ESTATE FOR SALE

REAL ESTATE FOR SALE

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REAL ESTATE FOR SALE

REAL ESTATE TO RENT/SHARE

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EMPLOYMENT EXECUTIVE POSITIONS AVAILABLE

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INTERNATIONAL CLASSIFIED

INTERNATIONAL CLASSIFIED (Main grid of classified ads)

International Business Message Center

International Business Message Center (Detailed classified ads)

Page 6 FOR MORE CLASSIFIEDS

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